

PUBLIC DISCLOSURE AUTHORISED

CARIBBEAN DEVELOPMENT BANK



Draft Statement of Financial Position

For the Year Ended December 31, 2012

(Expressed in thousands of United States Dollars unless otherwise stated)

This Document is being made publicly available in accordance with the Bank's Information Disclosure Policy.

March 2013

Caribbean Development Bank
Ordinary Capital Resources

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

Index to the Financial Statements
For the year ended December 31, 2012

	Page
Independent Auditors' Report	1
Statement of Financial Position	2 - 3
Statement of Changes in Equity	4
Statement of Comprehensive Income	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 75

Independent Auditors' Report

To the Board of Governors of Caribbean Development Bank

We have audited the accompanying financial statements of the **Ordinary Capital Resources** of the **Caribbean Development Bank** (the Bank) which comprise the statement of financial position as of December 31, 2012, statement of changes in equity, statement of comprehensive income, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects the financial position of the Ordinary Capital Resources of the Bank as of December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Barbados

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF FINANCIAL POSITION

As of December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

		<u>2012</u>	<u>2011</u>
Assets			
Cash resources			
Cash and cash equivalents - Note F		\$96,401	\$79,163
Investments			
Debt securities at fair value through profit or loss - Note G		400,509	244,242
Loans			
Loans outstanding – Note H		972,332	1,007,537
Derivative financial instruments			
Cross currency interest rate swaps – Note I		95,312	127,680
Receivable from members			
Non-negotiable demand notes - Notes J and Q	43,802		44,363
Maintenance of value on currency holdings – Note K	2,692		1,121
Subscriptions in arrears – Note L	<u>11,250</u>		<u>15,975</u>
		57,744	61,459
Receivables and Prepayments – Note M		10,222	14,625
Other assets			
Property and equipment – Note N		<u>8,286</u>	<u>8,419</u>
Total assets		<u>\$1,640,806</u>	<u>\$1,543,125</u>

The accompanying notes form an integral part of these financial statements

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF FINANCIAL POSITION...continued

As of December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

	<u>2012</u>	<u>2011</u>
Liabilities and Equity		
Liabilities		
Accounts payable and accrued liabilities - Note O	\$4,616	\$2,200
Subscriptions in advance – Note P	4,138	5,172
Deferred income – Note Q	875	875
Post-employment obligations - Note R	3,964	2,598
Maintenance of value on currency holdings – Note K	36	193
Borrowings		
Short term facility – Note S 20,000		20,000
Long term borrowings – Note S <u>900,246</u>		837,875
	<u>920,246</u>	
Total Liabilities	<u>\$933,875</u>	<u>\$868,913</u>
Equity		
Capital stock – Note T		
Authorised capital – 312,971 (2011 – 312,971) shares		
Subscribed capital – 247,455 (2011– 239,643) shares	1,549,012	1,501,892
Less callable capital – 193,125 (2011 – 187,032) shares	(1,207,638)	(1,170,887)
Paid-up capital – 54,330 (2011 – 52,611) shares	341,374	331,005
Less subscriptions not yet matured	(122,629)	(144,644)
Subscriptions matured	218,745	186,361
Retained earnings and Reserves – Note Q	488,186	487,851
Total Equity	<u>706,931</u>	<u>674,212</u>
Total Liabilities and Equity	<u>\$1,640,806</u>	<u>\$1,543,125</u>

Approved on, by:

W^m. Warren Smith
President

Adrian T. Debique
Director (Ag), Finance & Corporate
Planning

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

	Capital stock	Retained Earnings	Reserves	Total
Balance at January 1, 2011	\$157,433	\$432,957	\$14,110	\$604,500
Issued share capital	28,928	-	-	28,928
Total comprehensive income for the year	-	40,784	-	40,784
Balance at December 31, 2011	\$186,361	\$473,741	\$14,110	\$674,212
Balance at January 1, 2012	\$186,361	\$473,741	\$14,110	\$674,212
Issued share capital	32,384	-	-	32,384
Total comprehensive income for the year	-	15,335	-	15,335
Allocation from net income – Note T	-	(15,000)	-	(15,000)
Balance at December 31, 2012	\$218,745	\$474,076	\$14,110	\$706,931

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

	2012	2011
Interest and similar income		
Loans – Note U	\$39,639	\$40,582
Investments and cash balances	3,445	2,667
	43,084	43,249
Interest expense and similar charges		
Borrowings	13,173	10,347
Other financial (income) expenses - Note U	(3,390)	(2,822)
	9,783	7,525
Net interest income	33,301	35,724
Other (income)/expenses		
Other income	(1,453)	(127)
Realized and unrealized fair value losses	(1,334)	910
Provision for loan losses – Note H	2,538	3,000
Administrative expenses – Note V	11,029	10,183
Foreign exchange translation	60	210
	10,840	14,176
Operating income	22,461	21,548
(Decrease)/increase in fair value of derivatives– Note X	(31,129)	31,925
Foreign exchange gain/(loss) in translation on Yen borrowings - Note S	24,003	(12,689)
Total comprehensive income for the year	\$15,335	\$40,784

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

	2012	2011
Operating activities:		
Comprehensive income for the year	\$15,335	40,784
Adjustments:		
Unrealized (gain)/loss on debt securities	(705)	1,013
Depreciation	1,398	1,453
Gain on disposal of fixed assets	-	11
Decrease/(Increase) in fair value of derivatives	31,129	(31,925)
Interest income	(43,084)	(43,249)
Interest expense	9,783	7,525
Provision for losses on loans	2,538	3,000
Foreign exchange (gain)/loss in translation on Yen borrowings	(24,003)	12,689
Increase in amounts required to maintain the value of currency holdings	(2,762)	(1,262)
Net foreign exchange difference	(21)	(13)
Total cash flows used in operating activities before changes in operating assets and liabilities	(10,392)	(9,974)
Changes in operating assets and liabilities:		
Decrease/(increase) in receivables	4,403	(3,577)
Increase in accounts payable	3,782	1,063
Net increase in debt securities at fair value through profit and loss	(155,449)	(141,737)
Cash used in operating activities	(157,656)	(154,225)
Disbursements made on loans	(49,481)	(94,867)
Principal repayments to the Bank on loans	82,724	77,308
Interest received	42,395	43,513
Interest paid	(8,157)	(7,219)
Net cash used in operating activities	(90,215)	(135,490)
Investing activities:		
Purchase of property and equipment	(1,265)	(1,567)
Proceeds from sale of property and equipment	-	11
Net cash used in investing activities	(1,265)	(1,556)
Financing activities:		
Borrowings:		
Drawdowns	338,630	225,216
Repayments	(252,582)	(32,649)
Allocation of net income	(15,000)	-
Capital subscriptions	32,384	-
Decrease/(increase) in other receivables from members	5,286	(14,720)
Net cash provided by financing activities	108,718	206,775
Net increase in cash and cash equivalents	17,238	69,729
Cash and cash equivalents at beginning of year	79,163	9,434
Cash and cash equivalents at end of year – Note F	\$96,401	\$79,163

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE A – NATURE OF OPERATIONS

The Caribbean Development Bank (CDB or the Bank) is an international organization established by an Agreement (Charter) signed in Kingston, Jamaica, on October 18, 1969 and accepted and ratified by all the member countries which are signatories thereto. The Charter entered into force on January 26, 1970 and CDB commenced operations on January 31, 1970. Since that time other countries became members of CDB by acceding to the Charter. The Charter is an international treaty which, together with the instruments of ratification and accession by member countries, has been deposited with the United Nations Secretary-General. CDB was established as a regional financial institution for the purpose of contributing to the harmonious economic growth and development of the member countries in the Caribbean (Region), with special and urgent regard to the needs of its less developed members. The Bank's headquarters is located in Wilkey in the parish of Saint Michael in the island of Barbados.

The membership of the Bank is open to (a) States and Territories of the Region; (b) Non-Regional States which are members of the United Nations or of any of its specialized agencies or of the International Atomic Energy Agency; and (c) other Multilateral Development Banks.

The membership of the Bank is comprised of 21 regional states and territories and 5 non-regional states. A detailed listing of the membership is provided at Note R

Reducing poverty in the region is CDB's main objective. CDB's funding activities are carried out in its Borrowing Member Countries (BMCs) and these are financed mainly through its shareholder fund which is referred to as its Ordinary Capital Resources (OCR). In advancing this objective, the Bank participates in the selection, study and preparation of projects contributing to such development and where necessary, provides technical assistance.

The OCR is supplemented by the Special Development Fund (SDF) and Other Special Funds (OSF) which are separate funds with distinct assets and liabilities. There is no recourse to the OCR for obligations in respect of any of the SDF or OSF liabilities.

Mobilizing financial resources is an integral part of CDB's operational activities. In addition, CDB alone or jointly, administers on behalf of donors, including members, some of their agencies and other development institutions, funds restricted for specific uses, which include technical assistance grants and regional programmes.

CDB finances its ordinary operations through borrowings, paid-in capital and retained earnings.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except where otherwise stated. Prior year comparatives have been amended to conform with the presentation in the current year.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost basis, except as modified by the revaluation of investment securities held at fair value through profit or loss and derivative financial instruments which have been reflected at fair value.

The financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year ended December 31, 2012 (the reporting date).

The presentation format of the Bank's Statement of Comprehensive income was amended to reflect, in the opinion of management, enhanced information to the users of the Bank's financial statements mainly to reflect operating income from the Bank's core activities. Operating income represents the results upon which the Bank's financial, liquidity, efficiency and other performance ratios are determined.

The preparation of financial statements in conformity with IFRS requires management to make estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements, therefore, present its financial position fairly. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note D.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as at 1 January 2012:

Standards, amendments and interpretations not yet effective but which will be relevant to the Bank

Standards issued but not effective up to the date of issuance of the Bank's financial statements are listed below:

- IFRS 1, Government Loans (Amendment): 1 January 2013
- IFRS 7, Disclosures – Offsetting Financial Assets and Financial Liabilities: 1 January 2013
- IFRS 9, Financial Instruments Part 1: Classification and Measurement: 1 January 2015
- IFRS 13, Fair Value Measurement: 1 January 2013
- IAS 19, Employee Benefits (Revised): 1 January 2013
- IAS 27, Separate Financial Statements, 1 January, 2013
- IAS 32, Offsetting Financial Assets and Financial Liabilities (Amendment): 1 January 2014

The Bank is considering the implications of these standards, the impact on the Bank and the timing of their adoption by the Bank.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Standards, amendments and interpretations effective on or after January 1, 2012 and which are not relevant to the Bank

- IAS 12, Income Taxes – Recovery of Underlying Assets
- IAS 28, Investments in Associates and Joint Ventures
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Involvement with Other Entities
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

Foreign currency translation

Functional and presentation currency

The functional and presentation currency of the Bank is the United States dollar and the Bank's financial statements are rounded to the nearest thousands. Monetary assets and liabilities in currencies other than United States dollars are translated into United States dollars at market rates of exchange prevailing at the reporting date. Non-monetary items measured at historical cost in currencies other than United States dollars are translated into United States dollars using the exchange rates at the dates of the initial transactions.

Foreign currency transactions are translated into United States dollars at applicable rates of exchange on the transaction dates. Any gains or losses arising as a result of differences in rates applied to income and expenses and to assets and liabilities are shown as an exchange gain or loss in the determination of net income (total comprehensive income) for the year.

Taxation

Under the provisions of Article 55 of the Charter the Bank's assets, property, income and its operations and transactions are exempt from all direct taxation.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Financial assets

In accordance with IAS 39, the Bank categorizes its assets as follows: financial assets at fair value through profit or loss and loans and receivables. Financial assets and financial liabilities are recognized on the statement of financial position when the Bank assumes related contractual rights or obligations and derecognized when the rights to secure cash flows from the financial asset expire or when all risks and rewards of ownership have been substantially transferred. Management determines the classification of its financial instruments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Financial assets designated at fair value through profit or loss upon initial recognition are managed and evaluated on a fair value basis and reported to key management on that basis. Once the asset has been so classified, it cannot be changed. Financial instruments in this category are included in the statement of financial position as 'Debt securities at fair value through profit and loss'. All of the Bank's investments are designated at fair value through profit and loss.

Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the profit for the year in the statement of comprehensive income.

Gains and losses arising from changes in the fair value of financial assets through profit or loss are included in the profit for the year in the statement of comprehensive income in the period in which they arise.

Regular way purchases and sales of financial assets at fair value through profit or loss are recognized on the trade date which is the date the Bank commits to purchase or sell the asset.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

(b) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(c) Derivatives recorded at fair value through profit and loss

The Bank uses derivatives such as cross currency interest rate swaps and forward exchange contracts in its borrowing and liability management activities to take advantage of cost-saving opportunities, to lower its funding costs and to align its interest rate profiles on its borrowings with that of its lending activities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are reflected as “Derivative fair value adjustment” in the statement of comprehensive income.

(d) Financial liabilities

Financial liabilities consist of long term borrowings, for which the fair value option is not applied, and are measured at amortized cost. Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss for the year in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires.

Determination of fair value

For financial instruments traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A financial instrument is regarded as quoted in an active market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. If the above criteria are not met, the market is regarded as being inactive.

For all other financial instruments, including derivatives, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows, or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting date.

The Bank uses widely recognized valuation models for determining fair values of non-standardized financial instruments such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

An analysis of fair values of financial instruments is provided in Note C – Risk Management – “Fair value of financial assets and liabilities”.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income for all interest-bearing instruments using the effective interest rate method based on the actual purchase price.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The estimated future cash flows projected in the effective interest rate method consider all contractual terms but do not consider future credit losses.

Commitment fee income

Fees are generally recognized on an accrual basis when the service has been provided.

Impairment of financial assets

CDB assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has/have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or groups of financial assets is/are impaired includes observable data that comes to the attention of the Bank about the following loss events including:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the Bank would not otherwise consider;
- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (v) the disappearance of an active financial market for that financial asset because of financial difficulties; or

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Impairment of financial assets...continued

- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including:
 - adverse changes in the payment status of borrowers; or
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the asset's carrying value and the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

The methodology used for assessing portfolio impairment for sovereign risk assets also takes into account the Bank's preferred creditor status afforded by members. This provision is calculated on an incurred loss basis. Any impairment is deducted from the asset categories on the statement of financial position.

The Bank assesses whether objective evidence of impairment exists individually for all its loans. Impairment, less any amount reversed during the year, is charged to the statement of comprehensive income. When a loan is deemed uncollectible, it is written off against the related impairment provisions. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the provision amount and the amount of the reversal is recognized in the statement of comprehensive income.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. During 2011, the Board of Directors approved the restructuring of a private sector loan in which the borrower was given a moratorium on principal repayments until July 2012. This loan was fully repaid during the year.

Exceptional financial assistance

The Board also approved the conversion of the outstanding balances of some OCR portions of loans of a member country, into loans from CDB's Special Fund Resources at such date as CDB shall specify in writing, as part of a package of exceptional financial assistance. These conversions became effective on January 1, 2013.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be reliably measured. All repairs and maintenance are charged to other operating expenses during the financial year in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation of other assets is provided on the straight-line basis at rates considered adequate to write-off the cost of the assets over their useful lives as follows:

	Years
Buildings and ancillary works	15-25
Furniture and equipment	4-8
Computers	4
Motor vehicles	4

The assets' residual value and useful lives are reviewed and adjusted if appropriate at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the impaired asset's fair value less costs to sell and the value in use.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount and costs to sell. These are included in the other operating expenses in the statement of comprehensive income.

Deferred income

The deferred income relates to a Government grant of property. This property is freehold land with indefinite life and is therefore not subject to depreciation.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition, including cash, treasury bills and other eligible bills, amounts due from other banks and short-term government securities.

Commitments and contingencies

Provisions for restructuring costs and legal claims are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Bank recognizes no provisions for future operating losses.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Commitments and contingencies...continued

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to settle the obligation using the rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Post-employment obligations

(a) Pension obligations

CDB has both a contributory defined benefit New Pension Plan (the Plan) and a hybrid Old Pension Scheme (the Scheme) for securing pensions and other benefits for eligible employees of the Bank. Both the Plan and the Scheme are final salary defined benefit and are managed by Trustees which are appointed by the management of the Bank and staff.

A defined benefit plan is a pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Independent actuaries are engaged to calculate the defined benefit obligation using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the Plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. In the case of the hybrid scheme, gains and losses are immediately recognized in income. Past-service costs are recognized immediately in administrative expenses, unless the changes to the Pension Plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The hybrid scheme provides the member at retirement with a choice between a defined benefit or a pension calculated on a defined benefit formula.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Post-employment obligations...continued

(b) Other post-retirement obligations

The Bank provides post-retirement medical benefits to its retirees. The expected costs of these benefits are accrued over the period using an accounting methodology similar to that for defined benefit pension plans. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on high-quality corporate bonds.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized as a liability in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation.

Valuation of Capital Stock

In the Charter, the capital stock of the Bank is expressed in terms of United States dollars of the weight and fineness in effect on September 1, 1969 (the 1969 dollar). However, with effect from April 1, 1978, the Second Amendment to the Articles of Agreement of the International Monetary Fund came into force, as a result of which currencies no longer have par values in terms of gold.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Valuation of Capital Stock...continued

Prior to December 1986, the Bank had not taken a decision on the implications of this change on the valuation of its capital stock and had translated its capital stock into current United States dollars at the rate of 1.206348 current United States dollars (current dollars) per 1969 dollar. On December 11, 1986, the Board of Directors of the Bank agreed that, until such time as the Charter may be amended in respect of the standard of value, the expression "United States dollars of the weight and fineness in effect on September 1, 1969" be interpreted, pursuant to Article 59 of the Charter, to mean the "Special Drawing Right" (SDR) introduced by the International Monetary Fund as the SDR was valued in terms of United States dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being 1.206348 current dollars for one SDR as at June 30, 1974 (the 1974 SDR).

For the purposes of the financial statements, the Bank has expressed the value of its capital stock on the basis of the 1974 SDR. This has no effect on the financial position or results of the operations of the Bank.

The Charter permits the Bank to accept from a member non-negotiable, non-interest-bearing demand notes in place of part of the member's subscription to the paid-up capital which shall be payable in the member's currency and maintenance of value in respect of such part, provided that such currency is not required for the conduct of the operations of the Bank.

Maintenance of value

In order to ensure that capital receipts due in other than US dollars retain at a minimum their value as determined in accordance with Article 24 of the Charter, each member is required to maintain the value of its currency held by the Bank and consisting of or derived as repayments of principal from currencies originally paid to the Bank by the member in respect of capital subscriptions. In the opinion of the Bank, where the value of a Member's currency depreciates or appreciates to a significant extent, the Bank or Member may be required to repay an amount of currency equal to the increase or decrease in the value of its currency which is held by the Bank in respect of capital subscriptions. For the purposes of effecting settlement, MOV obligations are established at December 31 in each year. The Board of Directors has agreed that MOV obligations on any part of a member's paid-up capital which is represented by loans outstanding be postponed and become payable on each portion of the principal of such loans when such portion is repaid to the Bank. MOV obligations that are not so deferred are due for settlement within 12 months of the date established.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. Under Article 33.4 the President is the Chief Executive Officer (CEO) and is required to conduct, under the direction of the Board of Directors (BOD) the current business of the Bank as well as the other matters set out in this paragraph. The President has set up a number of management Committees to assist with the discharge of those responsibilities.

In accordance with IFRS 8, the Bank has one operating segment, its Ordinary Capital Resources (OCR).

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT

The very nature of the Bank's activities necessitates the analysis, evaluation, acceptance and management of some degree of financial risk. Operationally, CDB aims to achieve an appropriate balance between risk and return by adopting an appropriate mix of measures to mitigate the various types of risk to which it is exposed. These measures include the adoption of a variety of policies, guidelines and practices which together make up the Bank's risk management framework. These policies and practices are reviewed and modified periodically to reflect best practice and the institution's changing circumstances. Frequent reporting of the Bank's performance in relation to the established risk framework is strictly adhered to. The most important types of risk faced by CDB are associated with the borrowing member countries (country credit risk), liquidity risk, market risk and operational risk. Market risk includes currency, interest rate and other price risks.

Different bodies in the institution have been assigned the responsibility of monitoring and managing the varied types of risk faced by the Bank. Credit, liquidity and market risk are managed by the Finance and Corporate Planning Department and the Audit and Post-Evaluation Committee (APEC) assists the Board of Directors in discharging its responsibility for risk management. In the execution of its role, APEC assesses the effectiveness of financial policies and reporting, fiduciary controls, various aspects of financial, business, and operating risk, quality of earnings and internal controls. In addition, APEC discusses with management and the external auditors financial issues and policies that have an important bearing on the Bank's financial position and risk-bearing capacity.

The Bank's Loans Committee, which includes all the senior management of the Bank with the exception of the President, has principal responsibility for ensuring that adequate due diligence has been carried out by the staff on all investment and other projects and that all the relevant policies relating to lending, procurement, and other requirements are adhered to before recommendation is made to the President. This committee, therefore, plays an important role in managing operational risk.

The Bank's Investment Committee comprises the President, the two Vice-Presidents, the Director of Finance and Corporate Planning and the Director of Economics and provides oversight of the investment function. It monitors adherence to the investment guidelines which have been approved by the Board of Directors. It also approves shifts in the Bank's investment strategy based on internal liquidity needs and changes in the external economic environment. The Committee also monitors investment performance in relation to the established benchmarks, counterparty creditworthiness and the valuation of derivatives.

Credit risk

The major risk to CDB as a multilateral development bank is its exposure to country credit risk. This risk relates to potential losses to CDB in the event that a borrowing member is unable or unwilling to service its obligations to the Bank. CDB manages its country credit risk through its financial policies and lending strategies, including individual country exposure limits and overall creditworthiness assessments. These include ongoing assessments of a country's macroeconomic performance as well as its socio-political conditions and future growth prospects. The individual country's exposure to the Bank on outstanding loans as at December 31, 2012 is reported in Note H.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Credit risk...continued

The Bank manages its credit risk on liquid funds and derivative financial instruments by ensuring that no individual investments can have a credit rating less than A-/A3 (by Standard & Poor's and Moody's respectively) for commercial bank obligations and AA-/Aa3 for government obligations. In addition, in relation to derivative transactions, all counterparties must be rated not less than A/A2 at the commencement of the transactions.

Credit risk measurement

(a) Loans and advances

CDB's capital adequacy methodology is used in measuring its loan portfolio credit risk and is constructed around three components:

- (i) the 'probability of default' by the counterparty on its contractual obligations;
- (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'; and
- (iii) the likely recovery ratio on the defaulted obligations (the loss given default).

These credit risk measurements, when combined, reflect expected and unexpected (economic) losses on the portfolio (the expected loss model) and are based on the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices (the Basel Committee).

(i) The Bank's capital adequacy model assesses the probability of default of individual borrowers on the basis of external ratings. For borrowers without an external rating, judgement and bench-marking against similar credit are used to assign an appropriate rating. Borrowers are segmented into four rating classes. The rating scale, shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

Internal ratings scale and mapping of external ratings are as follows:

CDB's Rating	Description of the grade	External rating: Standard & Poor's equivalent
1	Investment grade	AAA, AA+, AA- A+, A-
2	Standard monitoring	BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-
3	Special monitoring	CCC to C
4	Sub-standard	D

The ratings of the major rating agency shown in the table above are mapped to the rating classes based on the long-term average default rates for each external grade. External ratings where available are used to benchmark the internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Credit risk measurement...continued

(ii) Exposure at default is based on the amounts expected to be owed at the time of default. Whenever the model is run, the loans outstanding for the individual countries at that point in time are used as the exposure at default. However, because of the Bank's small exposure to the private sector, these loans are all placed in a single group.

(iii) Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. CDB's experience, its loan portfolio being predominantly sovereign, is that the actual loss incurred at default is the opportunity cost of the income foregone as a result of not receiving the debt payment on schedule. The historical experience is that the Bank eventually recovers all of the outstanding amounts, including the penalty interest charge.

(b) Debt securities and other bills

CDB's Investment Guidelines limit the quality of the instruments that the Bank can hold in its investment portfolio. No individual investment can have a credit rating less than A-/ A3 (by Standard & Poor's and Moody's respectively). However, CDB can invest non-freely convertible currencies in unconditional obligations issued or guaranteed by indigenous commercial banks provided that no such bank holds more than \$1,000 of the investible amount of the given currency or 10% of CDB's capital, whichever is smaller.

Risk limit control and mitigation measures

The Bank manages limits and controls concentration of credit risk. The financial policies limit the amount of exposure in relation to a single borrower and to groups of borrowers. These risks are monitored on a quarterly basis and subject to more frequent review, when necessary. Currently the approved exposure limit to the single largest borrower is 50% of the Bank's capital (as defined) and the limit for the three largest borrowers is 120% of capital (as defined).

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payment, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a borrower authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing. The Bank currently does not have any such exposures.

CDB loans are usually fully disbursed over several years. As a result, the Bank continues to have undisbursed balances of approved loans. The liquidity risk remains with the Bank as it is required to provide funds to the borrowers when requested. This risk is managed by conformity to the Bank's policy of maintaining a net three years' funding requirement or 40% of undisbursed loan commitments and approvals not yet effective, whichever is greater.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Credit related commitments...continued

Derivative transactions while providing effective economic hedges under the Bank's risk management position do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading, with fair value gains and losses reported in income.

CDB has a potential risk of loss if a swap counterparty fails to perform its obligations, and in order to reduce such credit risk, CDB only enters into long-term swap transactions with counterparties eligible under CDB's swap guidelines which include the requirement that counterparties have a credit rating of A/A2 by Standard & Poor's or Moody's respectively, or higher. During the year the credit rating of one of the counterparties fell below the Bank's minimum standards as a result of which the existing swap agreement with this counterparty was novated and an agreement concluded on the existing terms and conditions with another counterparty which met the Bank's minimum requirements.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it may undertake a significant volume of transactions. Master netting arrangements do not generally result in an offset of statement of financial position assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement. CDB currently does not have more than one swap with any counterparty.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Impairment and provisioning policies

The rating system described previously focused more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management. The impairment provision in the statement of financial position at year-end is derived from an assessment of collateral held and anticipated receipts for that account. The following table provides an analysis of the internal rating categories of the Bank's loans and the associated impairment provision made within:

Bank's rating

As at December 31	2012		2011	
	Loans	Impairment Provision (%)	Loans	Impairment Provision (%)
Investment grade	\$30,268	-	\$37,519	-
Standard monitoring	467,760	-	477,970	-
Special monitoring	401,721	-	486,544	-
Sub-standard	72,583	100	5,504	100
Total (inclusive of accrued interest)	\$972,332	100	\$1,007,537	100

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based, at a minimum, on the following criteria:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of the collateral;
- Downgrading below investment grade level; and
- Economic condition of the country.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Bank's rating ...continued

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually, or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account. As at December 31, 2012 and 2011, two loans were assessed as impaired in the private sector loan portfolio.

No collective assessment for impairment allowances are provided for due to the limited number of the Bank borrowers. As at December 31, 2012 and 2011, no impairment was assessed in the public sector loan portfolio.

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposure relating to assets included on the statement of financial position is as follows:

As at December 31	2012	2011
Cash and cash equivalents	\$96,401	\$ 79,163
Debt securities at fair value through profit or loss	400,509	244,242
Public sector loans	924,714	958,564
Private sector loans	47,618	48,973
Cross currency interest rate swaps	95,312	127,680
Non-negotiable demand notes	43,802	44,363
Maintenance of value on currency holdings	2,692	1,121
Subscriptions in arrears	11,250	15,975
Other assets	10,222	14,625
	\$1,632,520	\$1,534,706
Undisbursed loan balances		
Public sector	261,349	195,461
Private sector	23,925	34,514
	\$1,917,794	\$1,764,681

The above table represents a worst case scenario of credit risk exposure as at December 31, 2012 and 2011, without taking account of any collateral held or other credit enhancements attached.

For assets included on the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Maximum exposure to credit risk before collateral held or other credit enhancements...continued

As shown, the total maximum exposure derived from loans and commitments to the public sector was 61.8% (2011: 65.4%), and to the private sector was 3.7% (2011: 4.7%).

Loans and advances

Loans are summarized as follows:

	December 31, 2012		December 31, 2011	
	Public Sector	Private Sector	Public Sector	Private Sector
Neither past due nor impaired	\$889,334	\$44,112	\$937,696	\$43,254
Past due but not impaired	35,380	-	20,868	-
Impaired	-	11,090	-	10,765
Gross	924,714	55,202	958,564	54,019
Less: allowance for impairment	-	(7,584)	-	(5,046)
Net	\$924,714	47,618	\$958,564	\$48,973

During the year ended December 31, 2012, loans that were neither past due nor impaired represented 96% (2011: 97%) of loans outstanding.

Loans and advances neither past due nor impaired

The credit quality of the loan portfolio that was neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	Loans at December 31, 2012		
	Public Sector	Private Sector	Total Loans
Investment grade	30,268	-	30,268
Standard monitoring	467,760	-	467,760
Special monitoring	318,723	44,112	362,835
Sub-standard	72,583	-	72,583
Total	889,334	44,112	933,446

	Loans at December 31, 2011		
	Public Sector	Private Sector	Total Loans
Investment grade	\$37,517	\$ -	\$37,517
Standard monitoring	477,970	-	477,970
Special monitoring	422,209	43,254	465,463
Total	\$937,696	\$43,254	\$980,950

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Loans and advances ...continued

General banking reserve

Loan loss provisions amounting to \$7,856 (2011: \$7,856) are deemed to be a provision for general banking risks and are reported as a general banking reserve in Equity and reserves.

Loans and advances past due but not impaired

Gross loans and advances by class to customers that were past due but not impaired were as follows:

	Loans at December 31, 2012		
	Public Sector	Private Sector	Total Loans
Past due up to 30 days	\$14,439	\$-	\$14,439
Past due 30 – 60 days	-	-	-
Past due 60 – 90 days	-	-	-
Over 90 days	20,941	-	20,941
Total	\$35,380	\$-	\$35,380

	Loans at December 31, 2011		
	Public Sector	Private Sector	Total Loans
Past due up to 30 days	\$2	\$-	\$2
Past due 30 – 60 days	-	-	-
Past due 60 – 90 days	20,866	-	20,866
Over 90 days	-	-	-
Total	\$20,868	\$-	\$20,868

Non-negotiable demand notes

At December 31, 2012, no non-negotiable demand notes are considered to be impaired.

Collateral

CDB does not take collateral on its public sector loans. For private sector loans, CDB will require its commitments to be secured. The nature and extent of the security will be determined on a case-by-case basis. The Loans (CDB) Acts or other applicable legislation are enacted in the various BMC's and authorize the governments to raise loans from CDB, guarantee loans by CDB to statutory authorities and provide for repayment of any loan made by CDB to the Government or to any statutory corporation, to be charged upon and paid out of the consolidated fund. CDB also derives comfort from the negative pledge condition included in its loan agreements. This provision prohibits, except with CDB's consent, the charging of Government assets to secure external indebtedness unless CDB is equally and rateably secured. Furthermore, CDB continues to be accorded preferred creditor status by its BMCs being members of the Bank.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Collateral...continued

For lines of credit to private sector financial intermediaries, a guarantee has been accepted from a parent and/or a trust arrangement under which the sub-loans financed by the line are pooled and assigned in the event of default. The fair value of the pool is the future expected cash flows of the sub-loans discounted by their interest rate. Marketable assets secure direct loans to the private sector, while the fair value is the observable market price of the asset. The fair value of the collateral on the impaired private sector loans was estimated at \$17,050 (2011 - \$26,800).

Debt securities, treasury bills and other eligible bills

The main investment management objectives are to maintain capital preservation and liquidity. Subject to these parameters, CDB seeks the highest possible return on its investments. CDB is restricted by its Investment Policy to invest in government and government-related debt instruments and in time deposits. Investments may be made in corporate bonds rated A-/A3, or better, AAA rated asset-backed securities, and AAA-rated mortgage-backed securities. Adherence to the investment policy guidelines is monitored on a monthly basis by the Investment Committee.

The following tables present an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at December 31, 2011 and 2010, based on Standard & Poor's ratings or their equivalent:

Type	2012				
	Ratings				
	AAA	AA+ to AA-	A+ to A-	Unrated	Total
Obligations guaranteed by Governments ¹	\$73,592	\$127,764	\$-	\$ -	\$201,356
Euro Commercial Paper	9,995	-	-	-	9,995
Time Deposits	-	4,774	-	1,267	6,041
Sovereign Bond	10,423	26,265	-	-	36,688
Supranational Bonds	141,324	5,105	-	-	146,429
Total	\$235,334	\$163,908	\$-	\$1,267	\$400,509

Of the total debt securities, \$57,869 (14.5%) [2011 - \$95,626 (39.2%)] represents exposure to the Eurozone. As at December 31, 2012, the Bank's exposure was with the European Investment Bank, the Council of Europe Development Bank, Germany, France, Netherlands and Austria.

¹ Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EU and its agencies.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Debt securities, treasury bills and other eligible bills...continued

2011					
Ratings					
Type	AAA	AA+ to AA-	A+ to A-	Unrated	Total
Obligations guaranteed by Governments ¹	\$69,868	\$74,888	\$ -	\$3,171	\$147,927
Euro Commercial Paper	9,972	-	-	-	9,972
Time Deposits	-	325	-	1,565	1,890
Sovereign Bond	3,081	25,737	7,668	-	36,486
Supranational Bond	47,967	-	-	-	47,967
Total	\$130,888	\$100,950	\$7,668	\$4,736	\$244,242

Concentration of risks of financial assets with credit risk exposure

The following table breaks down CDB's main credit exposure at their carrying amounts, as categorized by Borrowing Member Countries and non-regional members, USA, and other countries. For this table, the exposures are allocated to regions based on the country of domicile of the counterparties. A further analysis of the Bank's exposure on loans by geographical region is provided at Note H.

	2012				
	Borrowing Members	Non-Regional Members	USA	Other	Total
Cash and cash equivalents	\$6,762	\$883	\$88,756	\$-	\$96,401
Debt securities at fair value through profit or loss	1,266	54,203	146,364	198,676	400,509
Public sector loans	924,714	-	-	-	924,714
Private sector loans	47,618	-	-	-	47,618
Cross currency interest rate swaps	-	-	95,312	-	95,312
Maintenance of value on currency holdings	563	2,129	-	-	2,692
Non-negotiable demand notes	35,378	8,424	-	-	43,802
Subscriptions in arrears	11,250	-	-	-	11,250
Receivables and prepayments	10,222	-	-	-	10,222
Total, December 31	\$1,037,773	\$65,639	\$330,432	\$198,676	\$1,632,520

¹ Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EU and its agencies.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Concentration of risks of financial assets with credit risk exposure...continued

	2011				
	Borrowing Members	Non- Regional Members	USA	Other	Total
Cash and cash equivalents	\$8,723	\$1,838	\$68,602	\$ -	\$79,163
Debt securities at fair value through profit or loss	2,970	35,585	102,093	103,594	244,242
Public sector loans	958,564	-	-	-	958,564
Private sector loans	48,973	-	-	-	48,973
Cross currency interest rate swaps	-	-	127,680	-	127,680
Maintenance of value on currency holdings	36	1,085	-	-	1,121
Non-negotiable demand notes	35,953	8,410	-	-	44,363
Subscriptions in arrears	14,725	1,250	-	-	15,975
Receivables and prepayments	14,625	-	-	-	14,625
Total, December 31	\$1,084,569	\$48,168	\$298,375	\$ 103,594	\$1,534,706

CDB's membership is classified into regional and non-regional members. Except for three, the regional members are members of CARICOM and are further sub-divided into borrowing and non-borrowing members.

Non-regional members are shareholders from outside of the Caribbean region and comprise Canada, United Kingdom, Germany, Italy and China.

Market risk

CDB takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the values of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

Foreign exchange risk

CDB takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. All loans by the Bank are made either from currencies available from members' subscriptions or from currencies borrowed and the principal amounts are repayable to the Bank in the currencies lent. The Bank manages exchange risk on borrowings by entering into currency swaps. The following table summarizes the exposure to foreign currency exchange rate risk. Included in the table are the financial instruments at carrying amounts, categorized by currency. As at December 31, 2012 and 2011, all loans were denominated in United States dollars.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Concentrations of currency risk

As at December 31	2012			
	US\$	Yen	Other	Total
Assets				
Cash and cash equivalents	\$88,794	\$-	\$7,607	\$96,401
Debt securities at fair value through profit and loss	377,119	-	23,390	400,509
Loans	972,332	-	-	972,332
Cross currency interest rate swaps	95,312	-	-	95,312
Receivable from members	41,024	-	16,720	57,744
Receivables and prepayments	2,404	-	7,818	10,222
Total financial assets	\$1,576,985	\$-	\$55,535	\$1,632,520
Liabilities				
Maintenance of value on currency holdings	36	-	-	36
Accounts payable	4,616	-	-	4,616
Subscriptions in advance	4,138	-	-	4,138
Borrowings	701,961	220,245	-	922,206
Total financial liabilities	\$710,751	\$220,245	\$-	\$930,996
Net on-balance sheet financial position	\$866,234	\$(220,245)	\$55,535	\$701,524
Credit commitments	\$320,326	\$-	\$-	\$320,326
As at December 31	2011			
	US\$	Yen	Other	Total
Assets				
Cash and cash equivalents	\$68,602	\$-	\$10,561	\$79,163
Debt securities at fair value through profit and loss	224,622	-	19,620	244,242
Loans	1,007,537	-	-	1,007,537
Cross currency interest rate swaps	127,680	-	-	127,680
Receivable from members	44,179	-	17,280	61,459
Receivables and prepayments	9,206	-	5,419	14,625
Total financial assets	\$1,481,826	\$-	\$52,880	\$1,534,706
Liabilities				
Maintenance of value on currency holdings	193	-	-	193
Accounts payable	2,200	-	-	2,200
Subscriptions in advance	5,172	-	-	5,172
Borrowings	612,701	245,174	-	857,875
Total financial liabilities	\$620,266	\$245,174	\$-	\$865,440
Net on-balance sheet financial position	\$861,560	\$(245,174)	\$52,880	\$669,266
Credit commitments	\$285,274	\$-	\$-	\$285,274

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Concentrations of currency risk

The Bank has entered into currency swap agreements by which proceeds of two borrowings were converted into US dollars in order to hedge against ongoing operational currency risks.

If the Japanese Yen exchange rate had been 10% higher, CDB's comprehensive income for the year ended December 31, 2012, would have increased by \$19,689. If the Japanese Yen exchange rate had been 10% lower, CDB's comprehensive income would have decreased by \$24,804 for the year ended December 31, 2012.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows on the fair value of financial instruments. CDB manages its interest rate exposure by ensuring that the changes in the cash flow of its assets closely match those of its liabilities. This relationship is maintained by the use of interest rate swaps which convert fixed rate liabilities into floating rate liabilities.

The table below summarizes the exposure to interest rate risks including financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

At December 31	2012					Total
	0-3 months	3-12 months	1-5 years	Over 5 years	Non-interest generating/bearing	
Assets						
Cash and cash equivalents	96,401					96,401
Debt securities at fair value through profit and loss	47,221	61,345	221,811	70,132	-	400,509
Loans	972,332	-	-	-	-	972,332
Cross currency interest rate swaps	95,312	-	-	-	-	95,312
Receivable from members	-	-	-	-	57,744	57,744
Receivables and prepayments	-	-	-	-	10,222	10,222
Total Assets	\$1,211,266	\$61,345	\$221,811	\$70,132	\$67,966	\$1,612,520
Liabilities						
Accounts payable	-	-	-	-	\$4,616	\$4,616
Subscriptions in advance	-	-	-	-	4,138	4,138
Payable to members	-	-	-	-	36	36
Borrowings	351,683	5,476	20,991	544,056	-	922,206
Total Liabilities	\$351,683	\$5,476	\$20,991	\$544,056	\$8,790	\$930,996
Total interest sensitivity gap	\$857,386	\$55,869	\$200,820	\$(473,924)		
At December 31	2011					Total
	0-3 months	3-12 months	1-5 years	Over 5 years	Non-interest generating/bearing	
Assets						
Cash and cash equivalents	\$79,163	\$ -	\$ -	\$ -	\$ -	\$ 79,163
Debt securities at fair value through profit and loss	19,360	43,217	133,093	48,572	-	244,242
Loans	1,007,537	-	-	-	-	1,007,537
Cross currency interest rate swaps	127,680	-	-	-	-	127,680
Receivable from members	-	-	-	-	61,459	61,459
Receivables and prepayments	-	-	-	-	14,625	14,625
Total Assets	\$1,233,740	\$43,217	\$133,093	\$48,572	\$76,084	\$1,534,706
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$2,200	\$2,200
Subscriptions in advance	-	-	-	-	5,172	5,172
Payable to members	-	-	-	-	193	193
Borrowings	25,178	208,557	350,720	273,420	-	857,875
Total Liabilities	\$25,178	\$208,557	\$350,720	\$273,420	\$7,565	\$865,440
Total interest sensitivity gap	\$1,208,562	\$(165,340)	\$(217,627)	\$(224,848)		

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Interest rate risk...continued

If interest rates had been 50 bps higher or lower and all other variables were held constant, CDB's net income for the year ended December 31, 2012, would have increased or decreased by \$2,679. In 2011, an increase or decrease of 50 bps would have resulted in an increase or decrease of \$6,734.

With respect to debt securities if there was a decrease of 50 bps in credit spread, CDB's profit for the year would increase by \$2.1 mn and if there was an increase of 50 bps in credit spread, the Bank's profit for the year would decrease by \$2.1 mn.

The sensitivity analyses are based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 bps increase or decrease is used and represents management's assessment of a reasonable possible change in interest rates.

Liquidity risk

Liquidity risk relates to the probability that the Bank is unable to meet the payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to meet obligations to disburse on its commitments.

Liquidity risk management process

CDB's liquidity management process includes:

- Day-to-day disbursements, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by its BMCs. CDB maintains an active presence in international money markets to enable this to happen;
- The securing of a short term credit line to meet immediate or urgent requirements;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and
- Managing the concentration and profile of debt maturities.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Liquidity risk...continued

Non-derivative cash flows

The table below presents the cash flows by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At December 31	2012				Total
	0 – 3 months	3-12 months	1-5 years	Over 5 years	
Assets					
Cash and cash equivalents	\$96,401	\$-	\$-	\$-	\$96,401
Debt securities at fair value through profit and loss	47,993	63,977	227,446	72,937	412,353
Loans	46,918	84,860	438,726	654,495	1,224,999
Receivable from members	-	-	-	57,744	57,744
Receivables & prepayments	1,717	4,281	4,224	1	10,222
Total Assets	\$193,028	\$153,118	\$670,396	\$785,177	\$1,801,719
Liabilities					
Accounts payable	\$4,147	\$2	\$32	\$55	\$4,236
Maintenance of value on currency holdings	-	-	-	36	36
Borrowings	29,755	196,907	272,233	688,268	1,187,163
Total Liabilities	\$33,902	\$196,909	\$272,265	\$688,360	\$1,191,435
At December 31	2011				Total
	0 – 3 months	3-12 months	1-5 years	Over 5 years	
Assets					
Cash and cash equivalents	\$79,163	\$ -	\$ -	\$ -	\$79,163
Debt securities at fair value	17,446	45,372	129,029	55,231	247,078
Loans	42,839	85,021	434,798	718,990	1,281,648
Receivable from members	-	-	-	61,459	61,459
Receivables & prepayments	8,501	4,912	1,007	205	14,625
Total Assets	\$147,949	\$135,305	\$564,834	\$835,885	\$1,683,973
Liabilities					
Accounts payable	\$2,096	\$14	\$62	\$28	\$2,200
Maintenance of value on currency holdings	-	-	-	193	193
Borrowings	4,055	237,083	396,291	344,255	981,684
Total Liabilities	\$6,151	\$237,097	\$396,353	\$344,476	\$984,077

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Liquidity risk...continued

Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality, highly-liquid securities to support payment obligations and contingent funding in a highly stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with commercial banks;
- Time deposits;
- Government bonds and other securities that are easily traded;
- Secondary sources of liquidity including a line of credit with a commercial bank.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Liquidity risk...continued

Derivative cash flows

The following table shows the derivative financial instruments that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

At December 31	2012				Total
	0 - 3 months	3-12 months	1-5 years	Over 5 years	
Derivatives:					
- Cross currency interest rate swaps	3,243	614	13,144	60,029	77,030
Total	\$3,243	\$614	\$13,144	\$60,029	\$77,030

At December 31	2011				Total
	0 - 3 months	3-12 months	1-5 years	Over 5 years	
Derivatives:					
- Cross currency interest rate swaps	\$3,382	\$337	\$10,677	\$3,825	\$18,221
Total	\$3,382	\$337	\$10,677	\$3,825	\$18,221

Commitments, guarantees and contingent liabilities

Loan and capital commitments

The table below summarizes the amounts of the Bank's commitments, guarantees and contingent liabilities that will commit it to extend credit to its BMCs.

At December 31	2012		Total
	0-12 months	1-5 years	
Loan commitments	\$100,000	\$185,424	\$285,424
Capital commitments	-	-	-
Total	\$100,000	\$185,424	\$285,424

At December 31	2011		Total
	0-12 months	1-5 years	
Loan commitments	156,000	73,975	229,975
Capital commitments	839	941	1,780
Total	156,839	74,916	231,755

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Fair value of financial assets and liabilities

(a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets. This level includes listed equity securities and debt instruments on exchanges (for example, the New York Stock Exchange, NASDAQ).

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset either directly or indirectly. This level includes derivative contracts. The source of input parameters like the LIBOR yield curve or counterparty credit risk is Bloomberg.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

Assets and liabilities measured at fair value:

	2012			
	Level 1	Level 2	Level 3	Total
December 31				
Financial assets at fair value through profit or loss				
- Debt securities	\$ -	\$400,509	\$ -	\$400,509
Financial assets designated at fair value				
- Cross currency interest rate swaps	-	95,312	-	95,312
Total assets	\$ -	\$495,821	\$ -	\$495,821

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Fair value of financial assets and liabilities...continued

December 31	2011			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Debt securities	\$ -	\$244,242	\$ -	\$244,242
Financial assets designated at fair value				
- Cross currency interest rate swaps	-	127,680	-	127,680
Total assets	\$ -	\$371,922	\$ -	\$371,922

(b) Financial instruments measured at fair value using a valuation technique

The total amount of the change in fair value estimated using a valuation technique that was recognized in profit and loss during the year was a loss of \$31,129 (2011 – income of \$31,925).

(c) Financial instruments not measured at fair value

The carrying amounts and the fair value of those financial assets and liabilities not presented in the statement of financial position at their fair value are summarized below.

- (i) Due from banks
Due from banks includes cash and inter-bank placements. The estimated fair value of floating rate placements and overnight deposits is their carrying value.
- (ii) Loans
The Bank's loan portfolio comprises loans granted to, or guaranteed by, its Borrowing Member Countries. Amounts disbursed on loans are repayable in the currency or currencies disbursed by the Bank or in other freely convertible currency or currencies approved by the Bank. The amount repayable in each of these currencies shall be equal to the amount disbursed in the original currency. Loans are granted for a maximum period of twenty-two years, including a grace period, which is typically the period of project implementation. Loans are for the purpose of financing development projects and programmes and are not intended for sale. Further, management does not believe there is a comparable secondary market for the type of loans made by the Bank.

For 2012 and 2011, the estimated fair values are based on discounted cash flow models using an estimated yield curve appropriate for the remaining term to maturity.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Fair value of financial assets and liabilities...continued

- (iii) Non-negotiable demand notes
These are non-interest bearing demand notes with no conditions for repayment. The fair value is estimated therefore to be the carrying value.
- (iv) Receivables & prepayments
Due to the short-term nature of these assets, fair value is assumed to approximate carrying value.
- (v) Accounts payable
The estimated fair value of current liabilities with no stated maturity is the amount repayable on demand.
- (vi) Borrowings
The aggregate fair values are based on discounted cash flow models using a current yield curve appropriate for the remaining term to maturity.

The following table summarizes the carrying amounts and fair values of financial assets and liabilities presented on the Bank's statement of financial position.

	Carrying value		Fair value	
	2012	2011	2012	2011
Financial assets				
Due from banks	\$96,401	\$79,163	\$96,401	\$79,163
Loans	972,332	1,007,537	766,126	678,541
Non-negotiable demand notes	43,802	44,363	43,802	44,363
Subscriptions in arrears	11,250	15,975	11,250	15,975
Receivables & prepayments	10,222	14,625	10,222	14,625
Maintenance of value	2,692	1,121	2,692	1,121
Financial liabilities				
Maintenance of value	36	193	36	193
Borrowings	922,206	857,875	1,050,923	919,233

Derivatives

The Bank uses derivatives in its borrowing and liability management activities to take advantage of cost-saving opportunities and to lower its funding costs and to align its interest rate profiles on its borrowings with that of its lending activities. The Bank has entered into currency swap agreements with major international banks by which proceeds of a borrowing are converted into a different currency and simultaneously a forward exchange agreement is executed providing for the future exchange of the two currencies in order to recover the currency converted. The Bank has also entered into interest rate swaps, which transform a floating rate payment obligation in a particular currency into a fixed rate payment obligation or *vice-versa*. Other financial expenses relate to expenses derived from the net swap expenses.

The determination of the fair value of financial instruments is disclosed in note B "Financial assets – Determination of fair value".

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...*continued*

Capital Management

CDB's objectives when managing capital, which is a broader concept than "equity" on the face of the statement of financial position, are to:

- Safeguard the Bank's ability to continue as a going concern; and
- Maintain a strong capital base to support its development activities.

The Bank's capital adequacy framework which is consistent with the guidelines developed by the Basel Committee takes into account the Bank's total equity, which is defined as paid-up capital, retained earnings and reserves less receivable from members, and the cumulative effect of IAS 39. The goals of the Bank's capital adequacy policy are to:

- (i) ensure a reliable framework and methodology to determine the appropriate levels of economic capital that the Bank should carry for prudential purposes; and
- (ii) determine from time to time the appropriate changes in the level of economic capital that the Bank must have, based on changes in the risk profile of its credit exposures.

The capital adequacy framework is supported by an income targeting policy that would enable the Bank, not only to safeguard, but also to strengthen its level of capitalisation. CDB's Board of Directors has approved a total equity (as defined) to exposure (loans and guarantees) ratio (TEER)¹ in the range of 50 to 55%.

At the end of each reporting period, an assessment is made to determine the embedded risk in the Bank's exposures to the public and private sectors and its capacity to carry this risk. The outstanding loans for each debtor are placed into the rating category of that debtor. The default rate that is associated with each rating is applied to the outstanding exposure by each obligee.

The results of this analysis based on the statement of financial position as at December 31, 2012, result in a TEER of 61.5% (2011: 54.7%), indicating that the Bank is well capitalised.

Management provides quarterly and annual reports to the Board.

Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorizations, reconciliation procedures, staff education and assessment processes such as the use of its internal audit section.

The Bank has determined that the information technology systems and the data stored therein comprise a significant risk area. As a result the Bank established a Disaster Recovery Centre based locally but located off-site, to which data is transferred daily and which enables the replication of all applications at this location within three days of a disaster occurrence. There is also established an additional back-up

¹ For the purposes of capital adequacy, Equity = Paid-in capital + Ordinary reserves + Net income + Special reserve – Net receivable from members. Exposure = loans and guarantees outstanding.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE C – RISK MANAGEMENT...continued

Operational Risk...continued

site in Toronto, Canada to which data is also transferred on a daily basis. This serves as a restoration facility in the event of a catastrophic local event, and based on scenario planning and disaster management plan, it is estimated that all applications and data can be recovered from this additional back-up site in approximately two weeks.

During the year the Bank approved the establishment of a centralized Risk Management unit consisting of a Chief Risk Officer and staff, which will be responsible for managing and coordinating its approach to mitigating strategic, financial operational and other risks. This unit will report to the President and will be fully functional upon completion of the development of an appropriate risk management framework designed with the assistance of international risk consultants. This is expected during the first half of the new financial year and will be supported by an enhanced internal audit function.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE D – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

CDB makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting policies and management's judgement for certain items are especially critical for the Bank's results and financial situation due to their materiality.

Loan impairment provisions

The Bank reviews its loan portfolios on an annual basis, at minimum, to assess impairment. In determining whether an impairment loss should be recorded in profit and loss, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans based on current events.. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. For public sector loans the assessment is done on a portfolio basis, while for the private sector loans, the assessment is done on the individual loans. The Bank's method for determining the level of impairment of loans is described in Note B 'Impairment of financial assets' and further explained in Note C under credit risk.

Fair value of Debt securities

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques, for example, models. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risks, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value financial instruments.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE D – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS...continued

Post-employment benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension and other post-employment obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. The Bank considers the interest rates of high-quality instruments that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE E – SEGMENT ANALYSIS

The Bank is a multilateral financial institution dedicated to the development of the economies of its Caribbean member countries. In management's opinion the Bank has one reportable segment since CDB does not manage its operations by allocating resources based on a determination of the contribution of the net income from individual borrowers.

The following table presents CDB's loans outstanding balances inclusive of accrued interest and net of impairment provisions, and associated interest income by countries which generated in excess of 10% in loan interest income as of and for the years ended December 31, 2012 and 2011:

Country	Interest income		Loans outstanding	
	2012	2011	2012	2011
Jamaica	\$9,189	\$9,401	\$238,698	\$243,281
Barbados	5,198	5,158	120,932	126,478
St. Vincent and the Grenadines	3,861	4,139	101,456	105,471
Other	21,391	21,884	511,246	532,307
Total	\$39,639	\$40,582	\$972,332	\$1,007,537

NOTE F – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following balances:

	2012	2011
Due from banks	\$21,354	\$22,187
Time deposits	75,047	56,976
	\$96,401	\$79,163

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE G – DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

A summary of the Bank's debt securities at fair value through profit or loss was as follows:

	2012				
	USD	EUR	CAD	Other	All Currencies
December 31					
Obligations guaranteed by Governments ¹	\$227,824	\$5,111	\$4,463	\$ -	\$237,398
Multilateral organizations	138,104	2,833	4,722	-	145,659
Time Deposits	-	-	-	6,025	6,025
Euro Commercial Paper	9,995	-	-	-	9,995
Sub-total	375,923	7,944	9,185	6,025	399,077
Accrued interest	1,196	206	15	15	1,432
Total	\$377,119	\$8,150	\$9,200	\$6,040	\$400,509

	2011				
	USD	EUR	CAD	Other	All Currencies
December 31					
Obligations guaranteed by Governments	\$175,218	\$4,052	\$2,619	\$1,405	\$183,294
Multilateral organizations	38,353	2,769	6,649	-	47,771
Time Deposits	-	-	-	1,886	1,886
Euro Commercial Paper	9,972	-	-	-	9,972
Sub-total	\$223,543	\$6,821	\$9,268	\$3,291	\$242,923
Accrued interest	1,079	186	49	5	1,319
Total	\$224,622	\$7,007	\$9,317	\$3,296	\$244,242

¹ Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EU and its agencies.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE H – LOANS OUTSTANDING

The following tables break down the Bank's main credit exposures at their carrying amounts, as categorized by Borrowing Member Countries, regional institutions and to the private sector as of December 31, 2012.

2012				
Borrowers	Loans not yet effective	Undisbursed	Outstanding	% of Loans outstanding
Anguilla	\$-	\$103	\$64,744	6.6
Antigua and Barbuda	-	10,000	39,713	4.1
Bahamas	-	4,997	6,607	0.7
Barbados	-	100,949	120,066	12.4
Belize	5,362	33,223	71,756	7.4
British Virgin Islands	-	20,091	13,072	1.4
Cayman Islands	-	-	4,112	0.4
Dominica	3,939	4,635	21,128	2.2
Grenada	-	7,632	29,026	3.0
Guyana	9,200	3,350	29,757	3.1
Jamaica	10,000	29,300	236,403	24.4
Montserrat	-	-	-	-
St. Kitts and Nevis	-	15,030	54,054	5.5
St. Lucia	-	20,698	84,911	8.7
St. Vincent and the Trinidad and Tobago	6,522	9,554	100,531	10.4
Turks and Caicos Islands	-	-	25,886	2.7
Regional	-	1,787	5,730	0.6
Private Sector	-	-	8,315	0.9
	-	23,925	52,905	5.5
	35,023	285,274	968,716	100.0
Sub-total	-	-		
Provision for impairment			(7,584)	
Accrued interest	-	-	11,200	
	\$35,023	\$285,274	\$972,332	
Total – December 31				
2012				
Current			\$107,644	
Non-current			\$864,688	

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE H – LOANS OUTSTANDING...continued

2011				
Borrowers	Loans not yet effective	Undisbursed	Outstanding	% of Loans Outstanding
Anguilla	\$-	\$815	\$65,558	6.6
Antigua and Barbuda	-	12,170	40,513	4.0
Bahamas	-	10,058	3,787	0.5
Barbados	71,250	31,556	125,510	12.6
Belize	-	37,465	73,238	7.3
British Virgin Islands	15,672	4,434	15,193	1.5
Cayman Islands	-	-	5,012	0.5
Dominica	2,087	4,759	19,699	2.0
Grenada	2,032	7,142	30,071	3.0
Guyana	-	5,945	29,072	2.9
Jamaica	-	37,617	240,898	24.0
Montserrat	-	-	-	-
St. Kitts and Nevis	-	15,973	58,018	5.8
St. Lucia	4,000	17,053	92,569	9.2
St. Vincent and the Grenadines	3,072	7,719	104,505	10.4
Trinidad and Tobago	-	-	32,168	3.2
Turks and Caicos Islands	-	1,786	6,292	0.6
Regional	-	969	7,416	0.7
Private Sector	-	34,514	52,440	5.2
Sub-total	98,113	229,975	1,001,959	100
Provision for impairment	-	-	(5,046)	
Accrued interest	-	-	10,624	
Total – December 31	\$98,113	\$229,975	\$1,007,537	
2011				
Current			\$127,860	
Non-Current			\$879,677	

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE H – LOANS OUTSTANDING ... *continued*

An analysis of the composition of outstanding loans was as follows:

	2012						
	Loans out- standing 2011	Net Interest income/ receipt	Disbursements	Sub-Total	Repayments	Provision for Losses	Loans out- standing 2012 % of loans outstanding
Currencies receivable							
United States dollars	\$1,001,959	\$ -	\$49,481	\$1,051,440	\$(82,724)	\$ -	\$968,716 100.0
Sub-total	1,001,959	-	49,481	1,051,440	(82,724)	-	968,716 100.0
Provision for impairment	(5,046)	-	-	(5,046)	-	(2,538)	(7,584)
Accrued interest	10,624	576	-	11,200	-	-	11,200
Total – December 31	\$1,007,537	\$(576)	\$49,481	\$1,057,594	\$(82,724)	\$(2,538)	\$972,332

	2011						
	Loans out- standing 2009	Net Interest income/ receipt	Disbursements	Sub-Total	Repayments	Provision for Losses	Loans out- standing 2010 % of loans outstanding
Currencies receivable							
United States dollars	\$984,400	\$ -	\$94,867	\$1,079,267	\$(77,308)	\$ -	\$1,001,959 100.0
Sub-total	984,400	-	94,867	1,079,267	(77,308)	-	1,001,959 100.0
Provision for impairment	(2,046)	-	-	(2,046)	-	(3,000)	(5,046)
Accrued interest	11,194	(570)	-	10,624	-	-	10,624
Total – December 31	\$993,548	\$(570)	\$94,867	\$1,087,845	\$(77,308)	\$(3,000)	\$1,007,537

Reconciliation of allowance account for impairment on loans

	2012	2011
Balance at January 1	\$5,046	\$2,046
Increase in impairment allowance	2,538	3,000
Balance at December 31	\$7,584	\$5,046

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE H – LOANS OUTSTANDING ... *continued*

Portfolio provisions for the unidentified impairment of sovereign loans at December 31, 2012 and 2011, amounted to \$Nil (2011 - \$Nil). Due to the Bank's preferred creditor status afforded by its members a downgrade or upgrade by one risk-rating category would not have had a significant impact on the level of sovereign portfolio provision.

NOTE I – DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments held at December 31, 2012 and 2011, were as follows:

	2012	2011
	Fair values	
Notional Amount	Assets	Assets
Cross currency interest rate swaps	\$160,000	\$95,312 \$127,680

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates or a combination of all these (e.g. cross-currency interest rate swaps). The Bank's credit risk represents the potential cost to replace the swap contracts if the counterparties fail to fulfill their obligation.

The Bank has two dual currency interest rate swaps. These swaps were derived by changing underlying fixed rate borrowings in Japanese Yen to floating rate borrowings in United States dollars. The two fixed rate Japanese Yen notes which mature in 2022 and 2030 carry an interest rate of 2.75% and 4.35%, respectively. The principal amounts due on maturity are in Japanese Yen, while the interest payments are in United States dollars.

NOTE J – NON-NEGOTIABLE DEMAND NOTES

The Charter permits the Bank to accept from a member non-negotiable, non-interest-bearing demand notes in place of part of the member's subscription to the paid-up capital which shall be payable in the member's currency and maintenance of value in respect of such part, provided that such currency is not required for the conduct of the operations of the Bank. A member that has issued such demand notes may, at the request of the Bank, convert any of them into interest-bearing notes or into cash to be invested in government securities of that member. For a detailed listing refer to Note R.

All of the non-negotiable demand notes are considered non-current as there is no expectation that they will be called within the next twelve months.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE K – MAINTENANCE OF VALUE ON CURRENCY HOLDINGS

Member countries, whose currencies do not have a fixed relationship with the US dollar but have made adjustments to the exchange rate, are obliged to maintain the value of their currencies in respect of capital contributions if such currencies depreciate. The policy provides for maintenance of value to be payable by the Bank whenever the value of a member's currency has, in the opinion of the Bank, appreciated to a significant extent.

As at December 31, 2012 the amounts of \$2,692 (2011 - \$1,121) were due by certain members and \$36 (2011 - \$193) was due by the Bank.

NOTE L – SUBSCRIPTIONS IN ARREARS

Member countries are required to meet their obligations for paid in shares over a period of years determined in advance. The amount of \$11,250 (2011 – \$15,975) represents amounts that are due and not yet paid by certain members.

NOTE M – RECEIVABLES & PREPAYMENTS

	2012	2011
Inter-fund receivables – Note V	\$ -	\$8,235
Staff loans and other receivables	802	852
VAT receivable	776	552
Institutional receivables	8,558	4,971
Prepayments	86	-
Other	-	15
	\$10,222	\$14,625
Current	\$4,798	\$13,413
Non-current	\$5,424	\$1,212

During the year, no provision (2011: nil) was required as no receivables were considered to be impaired.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE N – PROPERTY AND EQUIPMENT

Under the Headquarters' Agreement with the host country, the Bank's owned buildings in the host country are intended to be used for the purposes of the Bank.

The carrying values of property and equipment were as follows:

	2012					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
At January 1						
Cost	\$1,639	\$11,112	\$7,280	\$4,491	\$325	\$24.847
Accumulated depreciation	-	(6,467)	(6,303)	(3,458)	(200)	(16,428)
Closing net book amount	\$1,639	\$4,645	\$977	\$1,033	\$152	\$8,419
Year ended December 31						
Opening net book amount	\$1,639	\$4,645	\$977	\$1,033	\$125	\$8,419
Additions	621	-	138	506	-	1,265
Transfers from projects in progress	(138)	-	138	-	-	-
Disposals – Cost	-	-	(44)	-	-	(44)
Disposals-accumulated depreciation	-	-	44	-	-	44
Depreciation expense	-	(262)	(719)	(378)	(39)	(1,398)
Closing net book amount	\$2,122	\$4,383	\$534	\$1,161	\$86	\$8,286
At December 31						
Cost	\$2,122	\$11,112	\$7,512	\$4,997	\$325	\$26,068
Accumulated depreciation	-	(6,729)	(6,978)	(3,836)	(239)	(17,782)
Closing net book amount	\$2,122	\$4,383	\$534	\$1,161	\$86	\$8,286

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE N- PROPERTY AND EQUIPMENT...continued

	2011					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
At January 1						
Cost	\$926	\$11,112	\$7,171	\$3,939	\$203	\$23,351
Accumulated depreciation	-	(6,197)	(5,502)	(3,196)	(151)	(15,046)
Closing net book amount	\$926	\$4,915	\$1,669	\$ 743	\$ 52	\$8,305
Year ended December 31						
Opening net book amount	926	4,915	1,669	743	52	8,305
Additions	713	-	140	592	122	1,567
Disposals	-	-	(31)	(40)	-	(71)
Disposals-accumulated depreciation	-	-	31	40	-	71
Depreciation expense	-	(270)	(832)	(302)	(49)	(1,453)
Closing net book amount	\$1,639	\$4,645	\$ 977	\$1,033	\$125	\$8,419
At December 31						
Cost	1,639	11,112	7,280	4,491	325	24,847
Accumulated depreciation	-	(6,467)	(6,303)	(3,458)	(200)	(16,428)
Closing net book amount	\$1,639	\$4,645	\$ 977	\$1,033	\$125	\$8,419

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE O – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Accounts payable	\$645	\$90
Accrued liabilities	3,971	2,110
Total	\$4,616	\$2,200
Current portion	\$4,529	\$2,110
Non-current portion	\$87	\$90

NOTE P – SUBSCRIPTIONS IN ADVANCE

Member countries are required to meet their obligations for paid-in shares over a period of years determined in advance. The amount of \$4,138 (2011 – \$5,172) represents amounts paid in advance of the due dates.

NOTE Q – DEFERRED INCOME

The amount of \$875 (2011 - \$875) represents the value of freehold land donated to the Bank by the host country.

NOTE R – POST-EMPLOYMENT OBLIGATIONS (SHORTFALL)

The Bank operates a defined benefit new pension plan and a hybrid old pension scheme based on the employee pensionable remuneration and length of service. While administrative expenses are allocated to the Special Funds Resources, the post-employment benefit obligations reflected are those of the OCR as the OCR has no recourse to the Special Funds Resources with respect to this obligation.

	2012	2011
Defined Benefit Pension Liability	\$1,400	\$318
Hybrid Pension Liability	105	19
Post-Retirement Medical Obligation	2,459	2,261
	\$3,964	\$2,598

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS...continued

Defined Benefit Pension Plan

The amounts recognized in the statement of financial position are determined as follows:

	Pensions	
	2012	2011
Present value of funded obligations	\$45,888	\$39,189
Fair value of plan assets	(36,250)	(32,017)
	9,638	7,172
Unrecognized actuarial losses	(8,238)	(6,854)
Liability	\$1,400	\$318

The amounts recognized in the statement of comprehensive income are as follows:

	Pensions	
	2012	2011
Current service cost	\$2,874	\$2,850
Interest cost	1,928	1,876
Expected return on plan assets	(1,801)	(1,888)
Amortization of actuarial cost	278	86
	\$3,279	\$2,924
Actual return on the plan assets	\$2,723	\$(403)

Movement in the liability recognized in the statement of financial position:

	Pensions	
	2012	2011
January 1	\$318	\$(258)
Net pension cost	3,279	2,924
Contributions paid	(2,197)	(2,348)
December 31	\$1,400	\$318

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS...continued

Defined Benefit Pension Plan...continued

Movement in the defined benefit obligation over the year is as follows:

	Pensions	
	2012	2011
January 1	\$39,189	\$34,652
Current service cost	2,874	2,850
Interest cost	1,928	1,876
Employees' contributions	591	630
Actuarial (gain)/loss	2,594	279
Benefits paid	(1,288)	(1,098)
December 31	\$45,888	\$39,189

Movement in the fair value of plan assets over the year is as follows:

	Pensions	
	2012	2011
January 1	\$32,017	\$30,540
Expected return on plan assets	1,802	1,888
Actuarial gain/(loss)	931	(2,291)
Employer's contributions	2,197	2,348
Employees' contributions	591	630
Benefits paid	(1,288)	(1,098)
December 31	\$36,250	\$32,017

The principal actuarial assumptions used for accounting purposes are:

	Pensions	
	2012	2011
	(%)	(%)
Discount rate	4.25	5.0
Expected return on plan assets	4.75	5.5
Future salary increases	3.75	4.5
Future pension increases	2.25	2.5

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS...continued

Defined Benefit Pension Plan...continued

Mortality rate

Assumptions regarding future mortality experience are set based on actuarial advice, based on published statistics and experience.

The average life expectancy in years of a pensioner retiring at age 62 on the reporting date is as follows:

	2012	2011
Male	19.3	19.3
Female	23.3	23.3

Asset allocation as at December 31 – Defined Benefit Pension Plan	2012	2011
Equity securities	51%	51%
Debt securities	42%	42%
Other	7%	7%
Total	100%	100%

CDB's contribution to the Defined Benefit Pension Plan in 2013 is estimated at \$2,332 (2012: \$2,248).

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date, while equity returns reflect long-term real rates of return experienced in respective markets.

As at December 31

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	\$45,888	\$39,189	\$34,652	\$29,239	\$24,732
Fair value of plan assets	(36,250)	(32,017)	(30,540)	(25,673)	(20,408)
Deficit	\$9,638	\$7,172	\$4,112	\$3,566	\$4,324
Experience adjustments on plan liabilities	\$89	\$1,739	\$433	\$ 50	\$ (109)
Experience adjustments on plan assets	\$931	\$(2,291)	\$1,074	\$1,383	\$(6,324)

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS...continued

Hybrid Pension Scheme

The amounts recognized in the statement of financial position are determined as follows:

	Pensions	
	2012	2011
Present value of funded obligations	\$27,302	\$23,698
Fair value of plan assets	(22,636)	(22,563)
	4,666	1,135
Unrecognized actuarial losses	(4,561)	(1,116)
Liability	\$105	\$19

The amounts recognized in the statement of comprehensive income are as follows:

	Pensions	
	2012	2011
Current service cost	\$234	\$214
Interest cost	1,156	1,237
Expected return on plan assets	(1,112)	(1,248)
	\$278	\$203
Actual return on the plan assets	\$743	\$345

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS...continued

Hybrid Pension Scheme...continued

Movement in the liability recognized in the statement of financial position:

	Pensions	
	2012	2011
January 1	\$19	\$19
Pension/benefit cost	278	203
Contributions paid	(192)	(203)
December 31	<u>\$105</u>	<u>\$19</u>

Movement in the defined benefit obligation over the year is as follows:

	Pensions	
	2012	2011
January 1	\$23,698	\$23,150
Current service cost	234	214
Interest cost	1,156	1,237
Employees' contributions	302	202
Actuarial (gain)/loss	3,076	232
Benefits paid	(1,164)	(1,337)
December 31	<u>\$27,302</u>	<u>\$23,698</u>

Movement in the fair value of plan assets over the year is as follows:

	Pensions	
	2012	2011
January 1	\$22,563	\$23,150
Expected return on plan assets	1,112	1,248
Actuarial (gain)/loss	(369)	(903)
Employer's contributions	192	203
Employees' contributions	302	202
Benefits paid	(1,164)	(1,337)
December 31	<u>\$22,636</u>	<u>\$22,563</u>

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS...continued

Hybrid Pension Scheme...continued

The principal actuarial assumptions used for accounting purposes are:

	Pensions	
	2012	2011
	(%)	(%)
Discount rate	4.25	5.0
Expected return on plan assets	4.25	5.0
Future salary increases	3.75	4.5

Mortality rate

Assumptions regarding future mortality experience are set based on actuarial advice, based on published statistics and experience.

The average life expectancy in years of a pensioner retiring at age 62 on the reporting date is as follows:

	2012	2011
Male	19.3	19.3
Female	23.3	23.3

Asset allocation as at December 31 – Pension Scheme	2012	2011
Debt securities	96%	98%
Other	4%	2%
Total	100%	100%

CDB's contribution to the hybrid pension scheme in 2013 is estimated at \$195 (2012: \$174).

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS...continued

Hybrid Pension Scheme...continued

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date, while equity returns reflect long-term real rates of return experienced in respective markets.

As at December 31

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	\$27,302	\$23,698	\$23,150	\$22,751	\$22,978
Fair value of plan assets	(22,636)	(22,563)	(23,150)	(22,751)	(22,978)
Deficit	\$4,666	\$1,135	\$ -	\$ -	\$ -
Experience adjustments on plan liabilities	\$160	\$ 497	\$719	\$ 488	\$(131)
Experience adjustments on plan assets	\$(369)	\$(903)	\$(719)	\$(488)	\$ 131

Post-Retirement Medical Plan

The amounts recognized in the statement of financial position are determined as follows:

	Post-employment medical obligation	
	2012	2011
Present value of funded obligations	\$2,452	\$2,038
Unrecognized actuarial gains	7	223
Liability	\$2,459	\$2,261

The amounts recognized in the statement of comprehensive income are as follows:

	Post-employment medical obligation	
	2012	2011
Current service cost	\$92	\$87
Interest cost	156	147
Amortised net gains	(2)	-
	\$246	\$234

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST EMPLOYMENT OBLIGATIONS...continued

Post-Retirement Medical Plan...continued

Movement in the liability recognized in the statement of financial position:

	Post-employment medical obligation	
	2012	2011
January 1	\$2,261	\$2,071
Net cost	246	234
Contributions paid	(48)	(44)
December 31	<u>\$2,459</u>	<u>\$2,261</u>

Movement in the defined benefit obligation over the year is as follows:

	Post-employment medical obligation	
	2012	2011
January 1	\$2,038	\$1,916
Current service cost	92	87
Interest cost	156	147
Employees' contributions	-	-
Experience (gain)/loss	214	(68)
Benefits paid	(48)	(44)
December 31	<u>\$2,452</u>	<u>\$2,038</u>

The principal actuarial assumptions used for accounting purposes are:

	Post-employment medical obligation	
	2012	2011
	%	%
Discount rate	7.50	7.75
Annual increase in benefit	7.00	6.25

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE R – POST-EMPLOYMENT OBLIGATIONS...continued

Post-Retirement Medical Plan...continued

	Post-employment medical obligation				
	1 % point increase	1 % point decrease			
Effect on total service and interest cost components	\$ 48	\$ (38)			
Effect on post-retirement medical obligation	\$421	\$(334)			
As at December 31					
	2012	2011	2010	2009	2008
Present value of defined benefit obligation	\$(2,452)	\$(2,038)	\$(1,916)	\$(1,933)	\$(1,835)
Deficit	\$(2,452)	\$(2,038)	\$(1,916)	\$(1,933)	\$(1,835)
Experience adjustments on plan liabilities	\$115	\$67	\$221	\$102	\$125

CDB's contribution to the post-retirement medical plan in 2013 is estimated at \$248 (2012: \$290).

NOTE S – BORROWINGS

It is the Bank's operating policy to limit borrowing and guarantees chargeable to the Bank's Ordinary Capital Resources to 100 percent of the callable capital of its investment grade non-borrowing members plus the paid in capital and retained earnings less receivables from members (cash reserves). At December 31, 2012, total borrowings amounted to \$ 920,246 (2011: \$857,875). Also at December 31, 2012, the ratio of total outstanding borrowings to the borrowing limit of \$1,101,645 (2011:\$1,058,251) was 89.7% (2011: 81.1%).

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE S – BORROWINGS...continued

A summary of the borrowings was as follows:

	2012						
	Original amounts ^{1/}	Translation adjustments	Repayments to date	Currency swap ^{2/}	Undrawn	Outstanding	Due dates
Short term Borrowing							
Floating Rate Note – US\$	\$20,000	\$ -	\$ -	\$ -	\$ -	\$20,000	2013
	20,000	-	-	-	-	20,000	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	15,148	-	-	-	75,147	2030
2.75% Notes – Yen	100,000	36,160	-	8,937	-	145,097	2022
1.12% Two Year Bonds – US\$	75,000	-	(75,000)	-	-	-	2012
One Year Discount Note – US\$	9,925	-	(9,925)	-	-	-	2012
Floating Rate Note – US\$	175,000	-	-	-	-	175,000	2013
Floating Rate Note – US\$	149,919	-	-	-	-	149,919	2014
Floating Rate Note – US\$	120,000	-	(120,000)	-	-	-	2012
4.375% Bonds – US\$	298,040	-	-	-	-	298,040	2027
	987,884	51,307	(204,925)	8,937	-	843,203	
European Investment Bank							
Global Loan 11I - US\$	51,157	-	(6,520)	-	-	44,637	2023
Climate Action Credit – US\$	65,320	-	-	-	(65,320)	-	
	116,477	-	(6,520)	-	(65,320)	44,637	
Inter-American Development Bank							
Loan 926/OC-RG-US\$	22,491	-	(13,033)	-	-	9,458	2021
Sub-total	1,146,852	51,307	(224,478)	8,937	(65,320)	917,298	
Accrued interest ^{3/}	2,948	-	-	-	-	2,948	
Total – December 31	\$1,149,800	\$51,307	\$(224,478)	\$8,937	\$(65,320)	\$920,246	

^{1/} Net of cancellations and borrowings fully paid

^{2/} Unwinding of fair value hedge

^{3/} Relates to amounts withdrawn and outstanding

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE S – BORROWINGS...continued

	2011						
	Original amounts ^{1/}	Translation adjustments	Repayments to date	Currency swap ^{2/}	Undrawn	Outstanding	Due dates
Short term Borrowing							
Floating Rate Note – US\$	\$20,000	\$-	\$(20,000)	\$ -	\$ -	\$ -	2011
Floating Rate Note – US\$	20,000	-	-	-	-	20,000	2012
	40,000	-	(20,000)	-	-	20,000	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	23,654	-	-	-	83,654	2030
2.75% Notes – Yen	100,000	51,324	-	10,196	-	161,520	2022
1.12% Two Year Bonds – US\$	75,000	-	-	-	-	75,000	2012
One Year Discount Note – US\$	9,911	-	(9,911)	-	-	-	2011
One Year Discount Note – US\$	9,925	-	-	-	-	9,925	2012
Floating Rate Note – US\$	60,000	-	(60,000)	-	-	-	2013
Floating Rate Note – US\$	175,000	-	-	-	-	175,000	2013
Floating Rate Note – US\$	149,869	-	-	-	-	149,869	2014
Floating Rate Note – US\$	119,817	-	-	-	-	119,817	2012
	759,522	74,978	(69,911)	10,196	-	774,785	
European Investment Bank							
Global Loan 11 – A – US\$	13,034	-	(13,034)	-	-	-	2011
Global Loan 11I - US\$	51,157	-	-	-	-	51,157	2023
Climate Action Credit	65,320	-	-	-	(65,320)	-	
	129,511	-	(13,034)	-	(65,320)	51,157	
Inter-American Development Bank							
Loan 926/OC-RG-US\$	19,347	-	(8,776)	-	-	10,571	2021
Sub-total	948,380	74,978	(111,721)	10,196	(65,320)	856,513	
Accrued interest ³	1,362	-	-	-	-	1,362	
Total – December 31	\$949,742	\$74,978	\$(111,721)	\$10,196	(65,320)	\$857,875	

1/ Net of cancellations and borrowings fully paid.

2/ Unwinding of fair value hedge.

3/ Relates to amounts withdrawn and outstanding

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE S – BORROWINGS...continued

Currencies repayable on outstanding borrowings were as follows:

2012

Currencies Repayable	Outstanding at December 2011	Translation Adjustment	Net Interest expense/paid	Draw-downs	Currency swap amortisation ^{1/}	Repayments	Outstanding at December 2012
United States dollars	\$612,266	\$ -	\$ -	\$338,630	\$ -	\$(252,582)	\$698,314
Japanese yen	244,247	(24,003)	-	-	(1,260)	-	218,984
Sub-total	856,513	(24,003)	-	338,630	(1,260)	(252,582)	917,298
Accrued interest ²	1,362	-	1,586	-	-	-	2,948
Total – December 31	\$857,875	\$(24,003)	\$1,586	\$338,630	\$(1,260)	\$(252,582)	\$920,246

2011

Currencies Repayable	Outstanding at December 2010	Translation Adjustment	Net Interest expense/paid	Draw-downs	Currency swap amortisation	Repayments	Outstanding at December 2011
United States dollars	\$419,699	\$ -	\$ -	\$225,216	\$ -	\$(32,649)	\$612,266
Japanese yen	232,485	12,689	-	-	(927)	-	244,247
Sub-total	652,184	12,689	-	225,216	(927)	(32,649)	856,513
Accrued interest ²	1,056	-	306	-	-	-	1,362
Total – December 31	\$653,240	\$12,689	\$306	\$225,216	\$(927)	\$(32,649)	\$857,875

The current and non-current portions of borrowings as at December 31 were as follows:

	2012	2011
Current	\$204,925	\$232,375
Non-current	715,321	625,500
Total	\$920,246	\$857,875

^{1/}Unwinding of fair value hedge

^{2/}Relates to amounts withdrawn and outstanding

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE S -

On December 12, 2012 Standard & Poor's Rating Services lowered the Bank's long term foreign currency issuer rating to 'AA' from 'AA+' with a negative outlook. The Bank's short term foreign currency rating was affirmed as 'A-1+'. This downgrade had no material impact on current operations, nor did it have any impact on debt covenants.

NOTE T – EQUITY

Equity is comprised of capital, retained earnings and reserves. These are further detailed as follows:

Capital

At the fortieth meeting of the Board of Governors in May 2010 in the Bahamas, a general capital increase of 150% was approved. The Bank's capital as at December 31 was as follows:

	2012	2011
Capital stock		
Authorized capital – 312,971 (2011: 312,971) shares		
Subscribed capital – 247,455 (2011: 239,463) shares	\$1,549,012	\$1,501,892
Less callable capital – 193,125 (2011: 187,032) shares	(1,207,638)	(1,170,887)
	<hr/>	<hr/>
Paid-up capital – 54,330 (2011: 52,611) shares	\$341,374	\$331,005
	<hr/>	<hr/>

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE T – EQUITY...continued

Capital...continued

The subscriptions by member countries and their voting power at December 31, were as follows:

2012										
Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	Voting Power		Receivable from members. Non-negotiable Demand Notes	
							No. of votes	% of total votes		
Regional States and Territories:										
Jamaica	48,354	19.54	\$291,659	\$227,614	\$64,045	\$38,378	48,504	19.34	\$13,243	
Trinidad and Tobago	48,354	19.54	291,659	227,614	64,045	38,378	48,504	19.34	10,888	
Bahamas	14,258	5.76	86,001	67,115	18,886	11,317	14,408	5.75	1,612	
Guyana	10,417	4.20	62,833	49,038	13,795	8,265	10,567	4.21	3,205	
Colombia	7,795	3.15	47,017	36,691	10,326	6,188	7,945	3.17	627	
Mexico	3,118	1.26	18,807	14,687	4,120	4,120	3,268	1.30	-	
Venezuela	3,118	1.26	18,807	14,687	4,120	4,120	3,268	1.30	3,204	
Barbados	9,074	3.67	54,732	42,717	12,015	7,202	9,224	3.68	1,070	
Belize	2,148	0.87	12,956	10,109	2,847	1,705	2,298	0.92	-	
Dominica	2,148	0.87	12,956	10,109	2,847	1,705	2,298	0.92	286	
Grenada	736	0.30	4,439	3,468	971	971	886	0.35	213	
St. Lucia	2,148	0.87	12,956	10,109	2,847	1,705	2,298	0.92	360	
St. Vincent and the Grenadines	2,148	0.87	12,956	10,109	2,847	1,705	2,298	0.92	97	
Antigua and Barbuda	859	0.35	5,181	4,047	1,134	1,134	1,009	0.40	296	
St. Kitts and Nevis	859	0.35	5,181	4,047	1,134	1,134	1,009	0.40	255	
Anguilla /1	455	0.18	2,744	2,141	603	362	1,777	0.71	14	
Montserrat /1	213	0.09	1,285	1,001	284	283			-	
British Virgin Islands /1	213	0.09	1,285	1,001	284	283			-	
Cayman Islands /1	213	0.09	1,285	1,001	284	283			8	
Turks and Caicos Islands /1	533	0.22	3,215	2,509	706	424	1,025 0.41		-	
Haiti	875	0.35	5,278	4,120	1,158	1,158			1,025	0.41
	158,036	63.85	953,232	743,934	209,298	130,820	160,586	64.04	35,378	

^{1/} In accordance with Article 3 of the Charter and Board of Governors Resolution No. 4/81, these territories are considered as a single member of the Bank for the purpose of Articles 26 and 32 of the Charter

NOTE T – EQUITY...continued

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

Capital...continued

Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Sub- scriptions Matured	Voting Power		Receivable from members. Non-negotiable Demand Notes
							No. of votes	% of total votes	
Non-Regional States:									
Canada	26,004	10.51	156,849	122,408	34,441	20,640	26,154	10.43	-
United Kingdom	26,004	10.51	156,849	122,408	34,441	20,640	26,154	10.43	2,150
Italy	6,235	2.52	37,608	29,375	8,233	8,234	6,385	2.55	725
Germany	15,588	6.30	94,023	73,376	20,647	12,372	15,738	6.28	5,549
China	15,588	6.30	94,023	73,376	20,647	12,372	15,738	6.28	-
	89,419	36.15	539,352	420,943	118,409	74,258	90,169	35.96	8,424
Sub-total	247,455	100.00	1,492,584	1,164,877	327,707	205,078	250,755	100.00	43,802
Additional subscriptions									
China			18,804	14,688	4,116	4,116			
Colombia			1,810	905	905	905			
Germany			12,546	9,681	2,865	2,865			
Italy			12,546	9,681	2,865	2,865			
Mexico			6,273	4,841	1,432	1,432			
Venezuela			1,810	905	905	905			
Haiti			2,639	2,060	579	579			
Sub-total	-	-	56,428	42,761	13,667	13,667	-	-	-
Total - December 31, 2012	247,455	100.00	\$1,549,012	\$1,207,638	\$341,374	\$218,745	250,755	100.00	\$43,802
Total - December 31, 2011	239,643	100.00	\$1,501,892	\$1,170,887	\$331,005	\$186,361	242,943	100.00	\$44,363

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE T – EQUITY...continued

Capital...continued

Member	2011								
	No. of shares	% of total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions matured	Voting Power		Receivable from members non-negotiable demand notes
							No. of votes	% of total votes	
Regional States and Territories									
Jamaica	48,354	20.18	291,659	227,614	64,045	31,961	48,504	19.97	13,733
Trinidad and Tobago	48,354	20.18	291,659	227,614	64,045	31,961	48,504	19.97	11,037
Bahamas	14,258	5.95	86,001	67,115	18,886	9,426	14,408	5.93	1,612
Guyana	4,167	1.73	25,134	19,633	5,501	5,501	4,317	1.78	3,203
Colombia	7,795	3.25	47,017	36,691	10,326	5,154	7,945	3.27	628
Mexico	3,118	1.30	18,807	14,687	4,120	4,120	3,268	1.35	-
Venezuela	3,118	1.30	18,807	14,687	4,120	4,120	3,268	1.35	3,141
Barbados	9,074	3.79	54,732	42,717	12,015	5,999	9,224	3.80	1,070
Belize	2,148	0.90	12,956	10,109	2,847	1,419	2,298	0.95	-
Dominica	859	0.36	5,181	4,047	1,134	1,134	1,009	0.42	286
Grenada	736	0.31	4,439	3,468	971	971	886	0.36	213
St. Lucia	2,148	0.90	12,956	10,109	2,847	1,419	2,298	0.95	360
St. Vincent and the Grenadines	2,148	0.90	12,956	10,109	2,847	1,419	2,298	0.95	97
Antigua and Barbuda	859	0.90	5,181	4,047	1,134	1,134	1,009	0.42	296
St. Kitts and Nevis	859	0.36	5,181	4,047	1,134	1,134	1,009	0.42	255
Anguilla ^{1/}	182	0.36	1,098	857	241	241	1,504	0.62	14
Montserrat ^{1/}	213	0.08	1,285	1,001	284	283			-
British Virgin Islands ^{1/}	213	0.09	1,285	1,001	284	283			-
Cayman Islands ^{1/}	213	0.09	1,285	1,001	284	283			8
Turks and Caicos Islands ^{1/}	533	0.22	3,215	2,509	706	354	1,025	0.42	-
Haiti	875	0.37	5,278	4,120	1,158	1,158			-
Sub-total	150,224	62.68	906,112	707,183	198,929	109,474	152,774	62.88	35,953

^{1/} In accordance with Article 3 of the Charter and Board of Governors Resolution No. 4/81, these territories are considered as a single member of the Bank for the purpose of Articles 26 and 32 of the Charter

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars, unless otherwise stated)

NOTE T – EQUITY...continued

Capital...continued

Member	2011						Voting Power		Receivable from members non-negotiable demand notes
	No. of shares	% of total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions matured	No. of votes	% of total votes	
Sub-total	150,224	62.68	\$906,112	\$707,183	\$198,929	\$109,474	152,774	62.88	\$35,953
Non-Regional States									
Canada	26,004	10.85	156,849	122,408	34,441	17,190	26,154	10.77	-
United Kingdom	26,004	10.85	156,849	122,408	34,441	17,190	26,154	10.77	2,150
Italy	6,235	2.60	37,608	29,375	8,233	8,234	6,385	2.63	711
Germany	15,588	6.51	94,023	73,376	20,647	10,303	15,738	6.48	5,549
China	15,588	6.51	94,023	73,376	20,647	10,303	15,738	6.48	-
	89,419	37.32	\$539,352	\$420,943	\$118,409	\$63,220	90,169	37.12	\$8,410
Sub-total	239,643	100.00	\$1,445,464	\$1,128,126	\$317,338	\$172,694	242,943	100.00	\$44,363
Additional subscriptions									
China	-	-	18,804	14,688	4,116	4,116	-	-	-
Colombia	-	-	1,810	905	905	905	-	-	-
Germany	-	-	12,546	9,681	2,865	2,865	-	-	-
Italy	-	-	12,546	9,681	2,865	2,865	-	-	-
Mexico	-	-	6,273	4,841	1,432	1,432	-	-	-
Venezuela	-	-	1,810	905	905	905	-	-	-
Haiti	-	-	2,639	2,060	579	579	-	-	-
Sub-total	-	-	\$ 56,428	\$ 42,761	\$ 13,667	\$ 13,667	-	-	-
Total - December 31	239,643	100.00	\$1,501,892	\$1,170,887	\$331,005	\$186,361	242,943	100.00	\$44,363

^{1/} In accordance with Article 3 of the Charter and Board of Governors Resolution No. 4/81, these territories are considered as a single member of the Bank for the purpose of Articles 26 and 32 of the Charter

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

(expressed in thousands of United States dollars)

NOTE T – EQUITY...continued

Members' subscriptions

The Bank's capital stock is divided into paid-in shares and callable shares. Payment for paid-in shares subscribed by its members is made over a period of years determined in advance. Subscriptions that are not yet payable are presented as subscriptions not yet matured on the statement of financial position. The Charter states that payment of the amount subscribed to the callable capital is subject to call by the Bank to meet its obligations incurred pursuant to Article 7, paragraph 6 taking into account paragraphs (b) and (d) of Article 13 on borrowings of funds or on guarantees, only as and when required by the Bank.

The Charter also allows for a member country to withdraw from the Bank, at which time the Bank is required to arrange for the repurchase of the former member's shares. Only one member has ever withdrawn its membership. No other member has indicated to the Bank that it intends to withdraw its membership from the Bank. The stability in the membership reflects the fact that the purpose of the Bank is to contribute to the harmonious economic growth and development of its Borrowing Member Countries individually and jointly. Moreover, there is a significant financial disincentive to withdrawing membership. The repurchase price of the shares is the value shown on the books of the Bank on the date a country ceases to be a member. However, the former member shall remain liable for direct obligations and contingent liabilities to the Bank for so long as any part of the loans or guarantees contracted before the date of withdrawal are outstanding. The Bank may partially or fully offset amounts due for shares purchased against the member's liabilities on loans and guarantees due to the Bank. Were a member to withdraw, the Bank may set the dates in respect of payments for shares repurchased. In the instance where paying a former member would have adverse consequences for the Bank's financial position, the Bank could defer payment until the risk had passed, and indefinitely if appropriate. If the Bank were to terminate its operations within six months of the termination date, all liabilities of the Bank would first be settled out of the assets of the Bank and then, if necessary, out of members' callable capital, before any distribution could be made to any member country, including the withdrawing member. Based on the above discussion, management has determined that members' shares are deemed to be a permanent investment in the Bank and are appropriately classified as equity.

Under the Charter, payment for the paid-in shares of the original capital stock subscribed to by members was made in installments. Of each installment, up to 50 percent was payable in non-negotiable, non-interest bearing promissory notes or other obligations issued by the subscribing member and payable at their par value upon demand.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

(expressed in thousands of United States dollars)

NOTE T – EQUITY...continued

Retained earnings and reserves

Retained earnings and reserves comprise the following elements:

	2012	2011
Ordinary reserves	\$405,086	\$398,538
Surplus	11,648	11,648
Operating income	22,461	21,548
Derivative fair value earnings net of cumulative effect of foreign exchange translation	34,881	42,007
Special reserve	6,254	6,254
General banking reserve	7,856	7,856
	<u>\$488,186</u>	<u>\$487,851</u>

In accordance with Article 39 of the Charter, the Board of Governors shall determine at least annually the disposition of the net income of the Bank arising from its Ordinary Operations. The Banks' net income is typically allocated to the Ordinary Reserves. These reserves are available to meet possible future losses on loans and guarantees made by the Bank in its Ordinary operations and possible future losses from currency devaluations.

During the year, the Board of Governors of the Bank upon the recommendation of the Board of Directors and acting under Article 39 of the Bank's Charter, approved an allocation of \$15,000 from the net income of the Ordinary Capital Resources to the Special Development Fund – Unified.

Special reserve

In accordance with Article 18 of the Charter, commissions and guarantee fees received on loans made out of the Ordinary Capital Resources of the Bank are required to be set aside in a Special Reserve which shall be kept for meeting liabilities of the Bank. The assets of the Special Reserve are to be held in such liquid form as the Board of Directors may decide.

At the One Hundred and Nineteenth Meeting of the Board of Directors held on July 21, 1988, the Board decided that appropriations to the Special Reserve should be discontinued with effect from January 1, 1989. Pursuant thereto, no commission is charged on loans approved after January 1, 1989, and all amounts received after that date as commission on loans approved before that date are treated as interest and accounted for as such. During 1993, the Special Reserve was converted into United States dollars and is valued at \$6,254.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

(expressed in thousands of United States dollars)

NOTE U– INCOME FROM LOANS, INVESTMENTS AND CASH BALANCES

Income from loans

Income from loans for the years ended December 31, 2012 and 2011 was as follows:

	2012	2011
Interest income	\$37,289	\$38,288
Other fees	2,350	2,294
Total	\$39,639	\$40,582

Other financial income and expenses

Other financial income and expenses is comprised of the net interest position on the swaps and includes other finance charges.

NOTE V – ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Bank are allocated between the Ordinary Capital Resources and the Special Funds Resources in accordance with a method of allocation approved by the Board of Directors.

Administrative expenses allocated to the OCR are as follows:

	2012	2011
Staff related	\$6,750	\$6,465
Professional fees and consultancies	1,258	650
Travel	555	508
Depreciation	562	591
Other	295	401
Utilities and maintenance	444	426
Training and seminars	222	235
Supplies and printing	89	67
Board of Governors and Directors	255	191
Computer services	328	400
Communications	204	175
Bank charges	39	41
Insurance	28	33
Total administrative expenses	\$11,029	\$10,183

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

(expressed in thousands of United States dollars)

NOTE W – ADMINISTRATIVE EXPENSES...continued

Staff costs charged to the OCR are as follows:

	2012	2011
Salaries and allowances	\$4,726	\$4,628
Pension costs – hybrid scheme ^{1/}	120	96
Pension costs – defined benefit plan ^{1/}	1,339	1,209
Medical expenses	237	322
Other benefits	328	210
	\$6,750	\$6,465

^{1/}This represents the allocation of the net pension costs to the OCR. The full pension expense for the hybrid scheme amounted to \$203 and \$2,924 for the defined benefit plan.

NOTE X – DERIVATIVE FAIR VALUE ADJUSTMENT

The derivative fair value adjustment of \$31,129 (2011: (\$31,925)) included in the statement of income is derived as a result of the revaluation of the cross currency interest rate swaps.

NOTE Y – RELATED PARTY TRANSACTIONS

The movement in interfund receivables in accounts receivables at December 31 is as follows:

	2012	2011
January 1	\$8,235	\$9,476
Advances during the year	75,524	29,310
Allocation of administrative expenses	16,391	14,773
Repayments during the year	(100,150)	(45,324)
December 31	\$ -	\$8,235

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

(expressed in thousands of United States dollars)

NOTE Z – RELATED PARTY TRANSACTIONS...continued

Key management compensation as at December 31 is as follows:

	2012	2011
Key management compensation		
Salaries and allowances	\$1,332	\$1,504
Post-employment benefits	1,374	690
	\$2,706	\$2,194

In 2008, the interest subsidy fund was established by the Board of Directors of the Bank to subsidize part of the interest payments for which certain borrowers are liable on loans to the OCR. During 2012, \$586 (2011 - \$431) was received from the Other Special Funds in interest on behalf of the borrowers.

NOTE AA – COMMITMENTS AND GUARANTEES

At December 31, 2012, CDB had undisbursed loan balances of \$285,274 (2011: \$229,975) as well as approved capital expenditure commitments amounting to \$nil (2011: \$1,780) for the 2012 financial year.

At its two hundred and forty ninth meeting held on December 8, 2011, the Bank issued a guarantee in an amount not exceeding the equivalent of \$12,000 with respect to the Bonds to be issued by the Government of St. Kitts and Nevis.

Caribbean Development Bank
Special Funds Resources – Special Development Fund

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors Caribbean Development Bank

We have audited the accompanying special purpose financial statements of the **Special Development Fund** of the **Caribbean Development Bank** (the "Bank") for the year ended December 31, 2012, which comprise the statement of financial position as at December 31, 2012 and the statement of income and accumulated income for the year then ended, and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared on the basis set out in Note A.

Management's responsibility for the special purpose financial statements

Management is responsible for the preparation and presentation of these special purpose financial statements on the basis described in Note A. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of special purpose financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. International Standards on Auditing require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying special purpose financial statements have been prepared, in all material respects, in accordance with the basis set out in Note A.

CHARTERED ACCOUNTANTS
Bridgetown, Barbados

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION

As of December 31, 2012

(expressed in thousands of United States dollars)

	2012			2011		
	Unified	Other	Total	Unified	Other	Total
Assets						
Cash and cash equivalents – Note A	\$11,699	\$2,239	\$13,938	\$33,646	\$23,548	\$57,194
Debt securities at fair value through profit or loss (Schedule 1)	274,791	57,905	332,696	240,828	36,599	277,427
Loans (Schedule 2)	463,518	19,449	482,967	448,451	20,570	469,021
Receivables – other						
Accounts receivable including interfund receivables	7,854	-	7,854	1	-	1
	\$757,862	\$79,593	\$837,455	\$722,926	\$80,717	\$803,643
Receivable from contributors						
Non-negotiable demand notes (Schedule 3)	61,213	-	61,213	59,247	-	59,247
Contribution in arrears	9,597	-	9,597	12,287	-	12,287
	70,810	-	70,810	71,534	-	71,534
Total assets	\$828,672	\$79,593	\$908,265	\$794,460	\$80,717	\$875,177
Liabilities and Funds						
Liabilities						
Accounts payable including interfund payables	70,702	1,185	71,887	70,763	939	71,702
Accrued charges on contributions	-	5	5	-	9	9
	\$70,702	\$1,190	\$71,892	\$70,763	\$948	\$71,711

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION

As of December 31, 2012

(expressed in thousands of United States dollars)

Funds	2012			2011		
	Unified	Other	Total	Unified	Other	Total
Contributed resources (Schedule 3)						
Contributions	\$967,672	\$42,962	\$1,010,634	\$970,353	\$43,786	\$1,014,139
Less amounts not yet made available	(4,249)	-	(4,249)	(54,006)	-	(54,006)
Amounts made available	963,423	42,962	1,006,385	916,347	43,786	960,133
Allocation to technical assistance and grant resources	(324,897)	(2,266)	(327,163)	(320,950)	(2,266)	(323,216)
	638,526	40,696	679,222	595,397	41,520	636,917
Accumulated net income (Schedule 4)	\$56,730	\$36,801	93,531	41,832	37,343	79,175
Technical assistance and grant resources – Note E	62,714	906	63,620	86,468	906	87,374
	\$757,970	\$78,403	\$836,373	\$723,697	\$79,769	\$803,466
Total liabilities and funds	\$828,672	\$79,593	\$908,265	\$794,460	\$80,717	\$875,177

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

	2012			2011		
	Unified	Other	Total	Unified	Other	Total
Interest and similar income						
Loans	\$10,369	\$466	\$10,835	\$10,054	\$488	\$10,542
Investments and cash balances	3,485	840	4,325	3,434	959	4,393
	13,854	1,306	15,160	13,488	1,447	14,935
Expenses						
Administrative expenses	13,950	1,017	14,967	12,260	1,046	13,306
Charges on contributions	-	55	55	-	86	86
Foreign exchange losses/ (gains)	6	(124)	(118)	353	(388)	(35)
	13,956	948	14,904	12,613	744	13,357
Total comprehensive (loss)/income for the year	(\$102)	\$358	\$256	\$875	\$703	\$1,578
Accumulated net income						
Accumulated net income – beginning of year	\$41,832	\$37,343	\$79,175	\$40,957	\$42,540	\$83,497
Appropriations for technical assistance	-	(900)	(900)	-	(5,900)	(5,900)
Total comprehensive (loss)/income for the year	(102)	358	256	875	703	1,578
Appropriation from OCR retained earnings	15,000	-	15,000	-	-	-
Accumulated net income– end of year	\$56,730	\$36,801	\$93,531	\$41,832	\$37,343	\$79,175

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

	2012	2011
Operating activities		
Net income for the year	(\$102)	\$875
Adjustments for non-cash items		
Unrealized gain on debt securities at fair value through profit or loss	163	654
Interest income	(13,854)	(13,488)
Total cash flows used in operating activities before changes in operating assets and liabilities	(13,691)	(12,834)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(7,853)	-
Increase in accounts payable	(61)	5,392
Cash used in operating activities	(21,605)	(7,442)
Disbursements on loans	(32,792)	(35,266)
Principal repayments to the Bank on loans	18,477	18,017
Interest received	13,254	13,512
Net increase in debt securities at fair value through profit or loss	(34,278)	(39,049)
Technical assistance disbursements	(16,204)	(14,332)
Net cash used in operating activities	(73,250)	(63,685)
Financing activities		
Contributions		
Increase in contributions for loans	42,394	13,585
Decrease/(increase) in receivables from contributors	724	3,250
Technical assistance allocation	(7,550)	23,135
Net cash provided by financing activities	35,568	39,970
Appropriation from OCR retained earnings	15,000	-
Net decrease in cash and cash equivalents	(22,682)	(23,715)
Net foreign exchange gains/(losses)	735	(299)
Cash and cash equivalents at beginning of year	33,646	57,660
Cash and cash equivalents at end of year	\$11,699	33,646

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

	2012	2011
Operating activities		
Net income for the year	\$358	\$703
Adjustments for non-cash items		
Unrealized loss on trading portfolio	(208)	26
Interest income	(1,306)	(1,447)
Interest expense	55	86
Total cash flows from operating activities before changes in operating assets and liabilities	(1,459)	(1,335)
Increase/ (decrease) in accounts payable	246	(14)
Cash used in operating activities	(1,213)	(1,349)
Disbursements on loans	(31)	(376)
Principal repayments to the Bank on loans	1,158	1,254
Interest received	1,310	1,757
Interest paid	(59)	(89)
Net (increase)/decrease in debt securities at fair value through profit and loss	(21,108)	17,410
Net cash (used in)/provided by operating activities	(19,943)	19,310
Financing activities:		
Contributions		
Repayments of contributions	(1,046)	(1,017)
Net cash used in financing activities	(1,046)	(1,017)
Appropriations of accumulated net income	(900)	(5,900)
Net (decrease)/ increase in cash and cash equivalents	(21,531)	12,393
Net foreign exchange gains/(losses)	222	(104)
Cash and cash equivalents - beginning of year	23,548	11,259
Cash and cash equivalents - end of year	\$2,239	\$23,548

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUND RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF INVESTMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 1

	2012			2011		
	Market value			Market value		
Financial assets at fair value through Profit and Loss	Unified	Other	Total	Unified	Other	Total
Government and Agency Obligations	\$192,424	\$44,931	\$237,355	\$165,054	\$29,115	\$194,169
Supranationals	81,345	12,756	94,101	50,778	5,761	56,539
Euro Commercial Paper	-	-	-	23,822	1,495	25,317
Sub-total	\$273,769	\$57,687	\$331,456	239,654	36,371	276,025
Accrued interest	1,022	218	1,240	1,174	228	1,402
Total	\$274,791	\$57,905	\$332,696	\$240,828	\$36,599	\$277,427

Residual term to contractual maturity

	2012	2011
One month to three months	14,809	\$37,943
Over three months to one year	70,338	58,479
From one year to five years	225,728	142,244
From five years to ten years	21,821	38,761
Total	\$332,696	\$277,427

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)
SUMMARY STATEMENT OF LOANS
For the year ended December 31, 2012
(expressed in thousands of United States dollars)

SCHEDULE 2

Member countries in which loans have been made	2012				
	Loans approved but not yet effective	Principal repaid to Bank	Undisbursed	Outstanding ^{1/}	% of Total Loans Outstanding
Anguilla	\$ 425	\$6,396	\$ 112	\$ 3,145	0.7
Antigua and Barbuda	-	7,839	-	2,937	0.6
Bahamas	-	1,623	-	-	0.0
Barbados	-	5,266	-	469	0.1
Belize	7,086	27,539	14,715	38,777	8.4
British Virgin Islands	-	9,063	300	1,654	0.4
Cayman Islands	-	4,219	-	-	0.0
Dominica	2,166	30,373	18,430	53,798	11.7
Grenada	-	26,738	18,895	68,395	14.9
Guyana	25,000	26,944	6,922	106,031	23.0
Jamaica	10,000	38,812	38,513	73,263	15.9
Montserrat	-	5,248	2,500	2,691	0.6
St. Kitts and Nevis	17,760	22,817	1,792	34,192	7.4
St. Lucia	6,862	27,953	38,205	36,214	7.9
St. Vincent and the Grenadines	7,106	25,778	19,265	29,070	6.3
Trinidad and Tobago	1,000	4,218	-	-	0.0
Turks and Caicos Islands	-	5,935	-	5,857	1.3
Regional	-	5,239	-	3,744	0.8
Sub-total	\$77,405	\$282,000	\$159,649	\$460,237	100.0
Accrued interest	-	-	-	3,281	
Total – December 31	\$77,405	\$282,000	\$159,649	\$463,518	

1/ There are no overdue installments of principal (2010 - nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)

SUMMARY STATEMENT OF LOANS...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

Member countries in which loans have been made	2011				
	Loans approved but not yet effective	Principal repaid to Bank	Undisbursed	Outstanding ^{1/}	% of Total Loans Outstanding
Anguilla	\$695	\$6,035	\$19	\$3,593	0.8
Antigua and Barbuda	-	7,531	1,123	3,103	0.7
Bahamas	-	1,619	-	-	-
Barbados	-	5,224	-	500	0.1
Belize	-	25,270	15,252	38,734	8.7
British Virgin Islands	-	8,909	300	1,800	0.4
Cayman Islands	-	4,161	-	-	-
Dominica	10,300	28,786	10,450	50,142	11.2
Grenada	6,580	25,766	15,736	66,094	14.8
Guyana	-	24,101	15,368	100,904	22.6
Jamaica	-	35,054	50,765	64,700	14.5
Montserrat	-	5,055	2,500	2,877	0.7
St. Kitts and Nevis	17,760	20,886	3,146	35,181	7.9
St. Lucia	7,233	25,557	31,723	37,906	8.5
St. Vincent & the Grenadines	14,550	23,864	5,432	30,079	6.8
Trinidad & Tobago	1,000	4,218	-	-	-
Turks & Caicos Islands	-	5,374	1,051	6,390	1.4
Regional	-	5,028	-	3,919	0.9
Sub-total	58,118	262,438	152,865	445,922	100.0
Accrued interest	-	-	-	2,529	
Total – December 31	\$58,118	\$262,438	\$152,865	\$448,451	

1/ There were no overdue installments of principal (2009 - \$28).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)

SUMMARY STATEMENT OF LOANS...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

Member countries in which loans have been made	2012			% of Total Loans Outstanding
	Principal repaid to Bank	Undisbursed	Outstanding ^{1/}	
Anguilla	\$1,452	\$-	\$-	0.0
Antigua and Barbuda	3,298	-	480	2.5
Bahamas	773	-	-	0.0
Barbados	1,618	-	-	0.0
Belize	20,116	-	7,654	39.6
British Virgin Islands	4,473	-	105	0.5
Cayman Islands	620	-	-	0.0
Dominica	12,061	-	1,999	10.4
Grenada	4,770	-	168	0.9
Guyana	22	-	-	0.0
Jamaica	5,169	-	1,701	8.8
Montserrat	787	-	-	0.0
St. Kitts and Nevis	6,391	-	5,436	28.1
St. Lucia	21,084	437	531	2.8
St. Vincent and the Grenadines	11,106	-	1,249	6.5
Turks and Caicos Islands	1,551	-	-	0.0
Regional	2,519	-	-	0.0
	<hr/>			
	\$97,810	\$437	\$19,323	100.00
Sub-total				
	-	-	126	
Accrued interest				
Total – December 31	<hr/>	<hr/>	<hr/>	
	\$97,810	\$437	\$19,449	

^{1/} There were no overdue installments of principal (2010 - nil).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS... *continued*

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

Member countries in which loans have been made	2011			% of Total Loans Outstanding
	Principal repaid to Bank	Undisbursed	Outstanding ^{1/}	
Anguilla	\$1,430	\$ -	\$ -	-
Antigua and Barbuda	3,256	-	494	2.4
Bahamas	773	-	-	-
Barbados	1,614	-	-	-
Belize	19,590	-	8,128	39.7
British Virgin Islands	4,376	-	152	0.7
Cayman Islands	609	-	-	-
Dominica	11,852	-	2,063	10.1
Grenada	4,706	-	168	0.8
Guyana	22	-	-	-
Jamaica	5,019	-	1,852	9.1
Montserrat	786	-	-	-
St. Kitts and Nevis	6,070	144	5,665	27.7
St. Lucia	20,794	477	607	3.0
St. Vincent and the Grenadines	11,022	-	1,321	6.5
Turks and Caicos Islands	1,535	-	-	-
Regional	2,518	-	-	-
Sub-total	95,972	621	20,450	100.0
Accrued interest	-	-	120	
Total – December 31	\$95,972	\$621	\$20,570	

^{1/} There were no overdue installments of principal (2009 – \$28).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

2012					
Analysis by Contributor	Loans approved but not yet effective	Principal repaid to Bank	Undisbursed	Outstanding ^{1/}	% of total loans outstanding
Special Development Fund - Unified					
Members/Contributors	\$77,405	\$282,000	\$159,649	\$460,237	100.00
Accrued interest	-	-	-	3,281	
Total SDF – (Unified)	\$77,405	\$282,000	\$159,649	\$463,518	
Members					
Colombia	-	8,279	-	255	1.3
Germany	-	18,958	-	122	0.6
Mexico	-	6,694	-	2,121	11.0
Venezuela	-	35,412	437	16,794	86.9
Other contributors					
Sweden	-	5,634	-	31	0.2
United States of America	-	22,833	-	-	-
	-	28,467	-	31	-
Sub-total	-	\$97,810	\$437	\$19,323	
Accrued interest	-	-	-	126	
Total – SDF (Other)	-	\$97,810	\$437	\$19,449	
Total SDF – December 31	\$77,405	\$379,810	\$160,086	\$482,967	

^{1/}There were no overdue installments of principal (2010- nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

2011					
Analysis by Contributor	Loans approved but not yet effective	Principal repaid to Bank	Undis-bursed	Out-standing ^{1/}	% of total loans out-standing
Special Development Fund - Unified					
Members/Contributors	\$58,118	\$262,438	\$152,964	\$445,922	100.00
Accrued interest	-	-	-	2,529	
Total SDF – (Unified)	\$58,118	\$262,438	\$152,964	\$448,451	
Members					
Colombia	\$ -	\$8,214	\$ -	\$319	1.6
Germany	-	18,593	-	122	0.6
Mexico	-	6,564	-	2,251	11.0
Venezuela	-	34,449	621	17,727	86.6
	-	67,820	621	20,419	99.8
Other contributors					
Sweden	-	5,319	-	31	0.2
United States of America	-	22,833	-	-	-
	-	28,152	-	31	100.0
Sub-total	-	95,972	621	20,450	
Accrued interest	-	-	-	120	
Total – SDF (Other)	\$-	\$95,972	\$621	\$20,570	
Total SDF – December 31	\$58,118	\$358,410	\$153,585	\$469,021	

^{1/}There were no overdue installments of principal (2009 - \$28).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS... *continued*

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

Currencies Receivable	2012					Loans out- standing 2012
	Loans out- standing 2011	Net interest earned	Disburse- ments	Sub- total	Repay- ments	
(a) Special Development Fund - Unified						
United States dollars	\$445,922	\$-	\$32,792	\$478,714	\$(18,477)	\$460,237
Accrued interest	2,529	752	-	3,281	-	3,281
Total – December 31	\$448,451	\$752	\$32,792	\$481,995	\$(18,477)	\$463,518
(b) Special Development Fund - Other						
United States dollars	20,450	-	31	20,481	(1,158)	19,323
Accrued interest ¹	120	6	-	126	-	126
Total – December 31	\$20,570	\$6	\$31	\$20,607	\$(1,158)	\$19,449

Maturity structure of loans outstanding

January 1, 2013 to December 31, 2013	25,674
January 1, 2014 to December 31, 2014	23,232
January 1, 2015 to December 31, 2015	25,921
January 1, 2016 to December 31, 2016	26,684
January 1, 2017 to December 31, 2017	27,180
January 1, 2018 to December 31, 2022	127,030
January 1, 2023 to December 31, 2027	106,443
January 1, 2028 to December 31, 2032	79,649
January 1, 2033 to December 31, 2042	41,154
Total	\$482,967

¹/Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS... *continued*

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

Currencies Receivable	2011					Loans out- standing 2010
	Loans out- standing 2009	Net interest earned	Disburse- ments	Sub- total	Repay- ments	
(c) Special Development Fund - Unified						
United States dollars	\$428,673	\$ -	\$35,266	\$463,939	\$(18,017)	\$445,922
Accrued interest ¹	2,371	158	-	2,529	-	2,529
Total – December 31	\$431,044	\$158	\$35,266	\$466,468	\$(18,017)	\$448,451
(d) Special Development Fund - Other						
United States dollars	\$22,328	\$ -	\$376	\$21,704	\$(1,254)	\$20,450
Accrued interest	125	(5)	-	120	-	120
Total – December 31	\$21,453	\$(5)	\$376	\$21,824	\$(1,254)	\$20,570

Maturity structure of loans outstanding

January 1, 2011 to December 31, 2011	\$23,178
January 1, 2012 to December 31, 2012	21,090
January 1, 2013 to December 31, 2013	22,675
January 1, 2014 to December 31, 2014	25,185
January 1, 2015 to December 31, 2015	25,848
January 1, 2016 to December 31, 2020	124,709
January 1, 2021 to December 31, 2025	102,302
January 1, 2026 to December 31, 2030	80,230
January 1, 2031 to December 31, 2042	43,804
TOTAL	\$469,021

¹/Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

Contributors	2012					
	Total approved ^{1/}	Approved but not yet effective ^{2/}	Total contribution agreed	Amounts not yet made available	Amounts made available	Receivable from members non-negotiable demand notes
Special Development Fund – Unified						
Members						
Trinidad and Tobago	\$35,384	\$-	\$35,384	\$-	\$35,384	\$9,057
Bahamas	19,809	-	19,809	4,249	15,560	6,931
Barbados	19,805	-	19,805	-	19,805	2,832
Jamaica	33,204	-	33,204	-	33,204	7,638
Guyana	19,810	-	19,810	-	19,810	-
Antigua and Barbuda	2,257	605	1,652	-	1,652	32
Belize	5,134	-	5,134	-	5,134	1,943
Dominica	4,874	-	4,874	-	4,874	2,395
St. Kitts and Nevis	5,134	-	5,134	-	5,134	2,494
St. Lucia	5,134	-	5,134	-	5,134	1,944
St. Vincent and the Grenadines	5,147	-	5,147	-	5,147	2,494
Grenada	3,345	-	3,345	-	3,345	2,712
Montserrat	2,045	605	1,440	-	1,440	-
British Virgin Islands	2,045	-	2,045	-	2,045	-
Turks and Caicos Islands	2,045	605	1,440	-	1,440	-
Cayman Islands	1,945	605	1,340	-	1,340	-
Anguilla	2,045	-	2,045	-	2,045	1,051
Colombia	27,133	3,600	23,533	-	23,533	-
Venezuela	21,982	-	21,982	-	21,982	-
Canada	264,438	-	264,438	-	264,438	-
United Kingdom	211,246	-	211,246	-	211,246	14,287
Germany	82,689	-	82,689	-	82,689	5,403
Italy	64,101	7,083	57,018	-	57,018	-
China	41,298	-	41,298	-	41,298	-
Haiti	1,560	-	1,560	-	1,560	-
Mexico	17,000	3,000	14,000	-	14,000	-
	900,609	16,103	884,506	4,249	880,257	61,213
Other contributors						
France	58,254	-	58,254	-	58,254	-
Chile	10	-	10	-	10	-
Netherlands	24,902	-	24,902	-	24,902	-
	983,775	16,103	967,672	4,249	963,423	61,213
Technical assistance allocation	(324,897)	-	(324,897)	-	(324,897)	-
Sub-total	\$658,878	\$16,103	\$642,775	\$4,249	\$638,526	\$61,213

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

Contributors	2012					
	Total approved ^{1/}	Approved but not yet effective ^{2/}	Total contribution agreed	Amounts not yet made available	Amounts made available	Receivable from members non-negotiable demand notes
Sub-total b/fwd	\$628,175	\$16,103	\$612,072	\$4,249	\$607,823	\$61,213
Special Development Fund – Other						
Members						
Colombia	5,000	-	5,000	-	5,000	-
Mexico ^{3/}	13,067	-	13,067	-	13,067	-
Venezuela	17,474	-	17,474	-	17,474	-
	35,541	-	35,541	-	35,541	-
Other contributors						
Sweden	3,992	-	3,992	-	3,992	-
United States of America ^{4/}	1,163	-	1,163	-	1,163	-
	5,155	-	5,155	-	5,155	-
Sub-total	40,696	-	40,696	-	40,696	-
Total – SDF	\$699,574	\$16,103	\$683,471	\$4,249	\$679,222	\$61,213
Summary						
Members	611,263	16,103	595,160	4,249	590,911	61,213
Other contributors	88,311	-	88,311	-	88,311	-
Total – SDF	\$699,574	\$16,103	\$683,471	\$4,249	\$679,222	\$61,213

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

3/ Net of appropriation for Technical Assistance of \$2,266,000

4/Contribution with fixed repayment dates

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

Contributors	2011					Receivable from members non-negotiable demand notes
	Total approved ^{1/}	Approved but not yet effective ^{2/}	Total contribution agreed	Amounts not yet made available	Amounts made available	
Special Development Fund - Unified						
Members						
Trinidad and Tobago	\$35,384	\$-	\$35,384	\$2,546	\$32,838	\$9,057
Bahamas	19,809	-	19,809	4,249	15,560	6,931
Barbados	19,805	-	19,805	-	19,805	4,249
Jamaica	33,204	-	33,204	2,546	30,658	5,728
Guyana	19,810	-	19,810	1,416	18,394	-
Antigua and Barbuda	2,257	605	1,652	-	1,652	32
Belize	5,134	-	5,134	349	4,785	1,595
Dominica	4,873	-	4,873	348	4,525	2,047
St. Kitts and Nevis	5,135	-	5,135	349	4,786	2,145
St. Lucia	5,134	-	5,134	348	4,786	1,595
St. Vincent and the Grenadines	5,146	-	5,146	348	4,798	1,797
Grenada	3,345	-	3,345	-	3,345	2,712
Montserrat	2,045	605	1,440	-	1,440	-
British Virgin Islands	2,045	-	2,045	151	1,894	-
Turks and Caicos Islands	2,045	605	1,440	-	1,440	-
Cayman Islands	1,945	605	1,340	-	1,340	-
Anguilla	2,045	-	2,045	151	1,894	1,051
Colombia	27,133	3,600	23,533	-	23,533	-
Venezuela	21,982	-	21,982	900	21,082	-
Canada	264,765	-	264,765	17,458	247,307	-
United Kingdom	214,350	-	214,350	17,457	196,893	13,683
Germany	81,950	-	81,950	3,139	78,811	6,625
Italy	64,101	7,083	57,018	-	57,018	-
China	41,298	-	41,298	2,024	39,274	-
Haiti	1,560	-	1,560	227	1,333	-
Mexico	17,000	3,000	14,000	-	14,000	-
	903,300	16,103	887,197	54,006	833,191	59,247
Other contributors						
France	58,254	-	58,254	-	58,254	-
Netherlands	24,902	-	24,902	-	24,902	-
	986,456	16,103	970,353	54,006	916,347	59,247
Technical assistance allocation	(320,950)	-	(320,950)	-	(320,950)	-
Sub-total	\$665,506	\$16,103	\$649,403	\$54,006	\$595,397	\$59,247

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

Contributors	2011					
	Total approved ^{1/}	Approved but not yet effective ^{2/}	Total contribution agreed	Amounts not yet made available	Amounts made available	Receivable from members non-negotiable demand notes
Sub-total b/fwd	\$665,506	\$16,103	\$649,403	\$54,006	\$595,397	\$59,247
Special Development Fund – Other						
Members						
Colombia	5,000	-	5,000	-	5,000	-
Mexico ^{3/}	13,067	-	13,067	-	13,067	-
Venezuela	17,474	-	17,474	-	17,474	-
	35,541	-	35,541	-	35,541	-
Other contributors						
Sweden	3,769	-	3,769	-	3,769	-
United States of America ^{4/}	2,210	-	2,210	-	2,210	-
	5,979	-	5,979	-	5,979	-
Sub-total	41,520	-	41,520	-	41,520	-
Total – SDF	\$707,026	\$16,103	\$690,923	\$54,006	\$636,917	\$59,247
Summary						
Members	\$617,891	\$16,103	\$601,788	\$54,006	\$547,782	\$59,247
Other contributors	89,135	-	89,135	-	89,135	-
Total – SDF	\$707,026	\$16,103	\$690,923	\$54,006	\$636,917	\$59,247

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

3/ Net of appropriation for Technical Assistance of \$2,266,000

4/ Contribution with fixed repayment dates

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

Currencies	2012					
	Amounts made available 2011	Trans- lation adjust- ment	Draw- downs/ Appro- priations from Capital ^{1/}	Sub- total	Repay- ments	Amounts made available 2012
(a) Special Development Fund – Unified						
Euros	\$6,628	\$131	\$(1,352)	\$5,407	\$-	\$5,407
Pounds sterling	13,683	604	-	14,287	-	14,287
United States dollars	575,086	-	43,746	618,832	-	618,832
Total – December 31	\$595,397	\$735	\$42,394	\$638,526	-	\$638,526
(b) Special Development Fund – Other						
Swedish kroners	\$3,770	\$222	\$-	\$3,992	\$-	\$3,992
United States dollars	37,750	-	-	37,750	(1,046)	36,704
Total – December 31	\$41,520	\$222	\$-	\$41,742	\$(1,046)	\$40,696

^{1/}Net of conversion to the United States dollars in accordance with the funding rules of the Unified Special Development Fund..

Maturity structure of repayable contributions outstanding*

January 1, 2013 to December 31, 2013	\$573
January 1, 2014 to December 31, 2014	590
TOTAL	\$1,163

* Relates to SDF (O) contributions by the United States of America.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

Currencies	2011					
	Amounts made available 2009	Trans- lation adjust- ment	Draw- downs/ Appro- priations from Capital ^{1/}	Sub- total	Repay- ments	Amounts made available 2010
(c) Special Development Fund – Unified						
Canadian dollars	\$185	\$ -	\$(185)	\$ -	\$ -	\$ -
Euros	8,552	(272)	(1,652)	6,628	-	6,628
Pounds sterling	9,070	(27)	4,640	13,683	-	13,683
United States dollars	564,304	-	10,782	575,086	-	575,086
Total – December 31	\$582,111	\$(299)	\$13,585	\$595,397	\$-	\$595,397
(d) Special Development Fund – Other						
Swedish kroners	\$3,874	\$(104)	\$-	\$3,770	\$-	\$3,770
United States dollars	38,767	-	-	38,767	(1,017)	37,750
Total – December 31	\$42,641	\$(104)	\$-	\$42,537	\$(1,017)	\$41,520

^{1/} Net of conversion to the United States dollars in accordance with the funding rules of the Unified Special Development Fund..

Maturity structure of repayable contributions outstanding*

January 1, 2011 to December 31, 2011	\$1,017
January 1, 2012 to December 31, 2012	1,047
January 1, 2013 to December 31, 2013	577
January 1, 2014 to December 31, 2014	586
TOTAL	\$3,227

* Relates to SDF (O) contributions by Germany and the United States of America only.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF ACCUMULATED NET INCOME

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 4

Contributors	2012			
	Brought forward 2011	Net income 2012	Allocation / (Appropriations)	Carried forward 2012
Special Development Fund – Unified	\$41,832	\$(102)	\$15,000	\$56,730
Special Development Fund – Other				
Members				
Colombia	2,377	(73)	-	2,304
Germany	(782)	(102)	-	(884)
Mexico	7,090	142	-	7,232
Venezuela	14,995	39	(900)	14,134
	23,680	6	(900)	22,786
Other contributors				
Sweden	2,578	238	-	2,816
United States of America	11,085	114	-	11,199
	13,663	352	-	14,015
	37,343	358	(900)	36,801
Total SDF	\$79,175	\$256	\$14,100	\$93,531
Summary				
Members	\$65,512	\$(96)	\$15,000	\$79,516
Other contributors	13,663	352	(900)	14,015
Total SDF – December 31	\$79,175	\$256	\$14,100	\$93,531

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF ACCUMULATED NET INCOME...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 4

Contributors	2011			
	Brought forward 2010	Net income 2011	Appro- priations	Carried forward 2011
Special Development Fund – Unified	\$40,957	\$875	\$ -	\$41,832
Special Development Fund – Other				
Members				
Colombia	\$2,327	\$50	\$ -	\$2,377
Germany	(674)	(108)	-	(782)
Mexico	7,082	8	-	7,090
Venezuela	15,901	(6)	(900)	14,995
	24,636	(56)	(900)	23,680
Other contributors				
Sweden	6,876	702	(5,000)	2,578
United States of America	11,028	57	-	11,085
	17,904	759	(5,000)	13,663
	42,540	703	(5,900)	37,343
Total SDF	\$83,497	\$1,578	\$(5,900)	\$79,175
Summary				
Members	\$65,593	\$819	\$(900)	\$65,512
Other contributors	17,904	759	(5,000)	13,663
Total SDF – December 31	\$83,497	\$1,578	\$(5,900)	\$79,175

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

A. Nature of operations and summary of significant accounting policies

Nature of operations

The Special Development Fund (SDF) was established to carry out the special operations of the Caribbean Development Bank (the Bank) by providing resources on concessional terms to assist borrowing members primarily for poverty reduction. Resources are provided by contributions from members and other contributors.

Summary of significant accounting policies

Due to the nature of the SDF, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources. These financial statements are not intended to be a presentation in accordance with International Financial Reporting Standards. These financial statements have been prepared in accordance with the accounting policies outlined below.

Preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

Translation of currencies

The financial statements are expressed in United States dollars solely for the purpose of summarizing the SDF's financial position and the results of its operations.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars either at the par values established for those currencies with the International Monetary Fund, or where no par values are maintained, at rates which have been determined by the Bank to be appropriate for translation. In general, the rates so determined will be the approximate market rates of exchange prevailing at the dates of the financial statements.

Income and expenses in currencies other than United States dollars are translated into United States dollars at applicable rates of exchange on the transaction dates. Any gains or losses arising as a result of differences in rates applied to income and expenses and to assets and liabilities are shown as an exchange gain or loss in the determination of net income for the year.

Debt securities at fair value through profit or loss

All debt securities are in a portfolio designated at fair value through profit or loss and reported at fair market value. Securities are initially recognized at fair value through profit or loss upon initial recognition (which excludes transaction costs) and subsequently re-measured at fair value based on quoted market prices. All related realized and unrealized gains and losses are included in investment income. Interest earned whilst holding securities is also reported as investment income.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

A. Summary of significant accounting policies...continued

Debt securities at fair value through profit or loss...continued

Regular-way purchases and sales of securities are recognized at trade date, which is the date that the Bank commits to purchase or sells the asset.

Loans

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method less any impairment. Interest income is recognized by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

All loans by the Fund are made either from currencies available from members' subscriptions or from currencies borrowed and the principal amounts are repayable to the Fund in the currencies lent. The balances outstanding on loans to members and their agencies are secured by guarantees of the Governments of the member countries in which the loans are made.

The Fund is one of very few lenders of development and structural adjustment loans to Caribbean countries. There is no secondary market for development loans nor does the Fund intend to sell these loans. As a result, the use of market data to arrive at the fair value of loans will not yield any meaningful results.

The Fund does not make provisions for losses on impaired loans as any loss that may occur is taken in profit and loss for that year.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition, and comprise:-

	SDF Unified		SDF Other	
	2012	2011	2012	2011
Due from banks	\$1,476	\$ 19	\$ 361	\$16,007
Time deposits	10,065	33,627	1,878	7,541
	\$11,541	\$33,646	\$2,239	\$23,548

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

A. Summary of significant accounting policies...continued

Technical assistance and grants

Technical assistance and grants for capital projects to borrowing member countries are provided either from grants received from contributors or from other resources specifically allocated for this purpose. The contributions from donors are included in the financial statements from the date of the contribution agreement. Technical assistance is recognized when the project is approved and becomes effective.

Interest income and charges on contributions

Interest income and charges on contributions are recognized in the statement of income and total comprehensive income for all interest-bearing instruments using the effective interest rate method based on the actual purchase price.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Administrative expenses

Administrative expenses incurred by the Bank which cannot be directly charged to individual funds are allocated between the Ordinary Capital Resources, the Other Special Funds and the Special Development Fund in accordance with a method of allocation notified to the Board of Directors.

B. Debt securities at fair value through profit or loss

As part of its overall portfolio management strategy, the Bank invests in Government, agency, supranational and bank obligations, including time deposits and euro commercial paper. The Bank limits its activities of investing in securities to well established dealers and counterparties meeting minimum credit rating standards set by the Bank.

The annualized rate of return on the average investments held during the year, including realized and unrealized gains and losses was 1.26% (2011 – 1.35%). Net realized gain on investments traded during 2012 totalled \$132 (2011 – \$913) while net unrealized losses totalled \$371 (2011 - \$680).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

C. Funds

In accordance with the Agreement establishing the Bank (the Agreement), Special Funds Resources comprise the Special Development Fund and Other Special Funds established or administered by the Bank, including technical assistance and other grant resources contributed on a non-reimbursable basis. The Special Development Fund was established to receive contributions or loans which may be used to make or guarantee loans of high developmental priority, with longer maturities, longer deferred commencement of repayment and lower interest rates than those determined by the Bank for its Ordinary Operations. As a result of Rules adopted by the Bank in May 1983 for the Special Development Fund, contributions to the Special Development Fund currently comprise funds made available to the Bank under the rules applicable to the old Special Development Fund (referred to herein as “Other”) and shown separately from funds made available to the Bank from the Unified SDF (referred to herein as “Unified”).

Details of contributions and loan resources to the Special Development Fund are stated at the equivalent in thousands of United States dollars where such contributions and loans have been made in currencies other than United States dollars and are as follows:

(i) Special Development Fund – Unified

	2012	2011
Contributions (as per Schedule 3)	\$638,526	\$595,397

All contributions to the Special Development Fund - Unified are interest-free with no date for repayment.

Effective October 27, 2000, France ceased to be a member of the Bank, but under the Rules of the Special Development Fund, its contributions are non-reimbursable.

(ii) Special Development Fund - Other

	2012	2011
Colombia	\$5,000	\$5,000

The contribution is interest-free and was not repayable before 2000. The agreement with the contributor provides that not less than 5% or more than 10% of the contribution may be used for technical assistance. To date \$39 (2011 - \$39) has been incurred on technical assistance and has been charged against the income from the contribution.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

C. Funds...continued

(ii) Special Development Fund – Other ...continued

	2012	2011
Mexico		
First contribution	\$7,000	\$7,000
Less technical assistance	(2,266)	(2,266)
	4,734	4,734
Second contribution	5,000	5,000
Third contribution	3,333	3,333
	\$13,067	\$13,067
Technical assistance resources	\$2,266	\$2,266

The contributions are interest-free and were not subject to call before 2009.

	2012	2011
Venezuela		
First contribution	\$10,000	\$10,000
Less technical assistance	(176)	(176)
	9,824	9,824
Second contribution	7,650	7,650
	\$17,474	\$17,474

The contributions are interest-free and were not subject to calls before 1999 and 2006, respectively. The agreement with the contributor provides that up to 10% of the first contribution may be used to finance technical assistance on the basis of contingent recovery.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

C. Funds...continued

(ii) Special Development Fund – Other...continued

	2012	2011
Sweden	3,992	\$3,769
The contribution is interest-free with no definite date for repayment.		
United States of America	2012	2011
First contribution	\$10,000	\$10,000
Less repayments	(10,000)	(9,508)
	-	492
Second contribution	12,000	12,000
Less repayments	(10,837)	(10,282)
	1,163	1,718
	\$1,163	\$2,210

The contributions are subject to interest at the rate of 2% per annum on the amounts outstanding for the first ten years after first disbursement and thereafter at the rate of 3% per annum. The first contribution is repayable over the period 1982 to 2012 and the second contribution over the period 1984 to 2014.

D. Accumulated net income and total comprehensive income for the year

In accordance with the rules of the Special Development Fund, the accumulated net income and total comprehensive income for the current year form part of the contributed resources of the fund and are not available for allocation by the Board of Governors.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

E. Technical assistance and grant resources

In accordance with paragraph 4.9.2 of the Rules for the Special Development Fund, allocations/appropriations of income and capital of the Fund may be made for the purpose of the Bank's technical assistance and grant operations. The movements (expressed in thousands of United States dollars) during the years ended December 31, 2012 and 2011 were as follows:

Balance at January 1, 2011	78,571
Allocations for the year	23,135
Expenditure for the year	<u>(14,332)</u>
Balance at December 31, 2011	87,374
Allocations for the year	(7,550)
Expenditure for the year	<u>(16,204)</u>
Balance at December 31, 2012	<u>63,620</u>

F. Loans

The average interest rate earned on loans outstanding was 2.30% (2011 -2.32%). There were no impaired loans at December 31, 2012 and 2011.

Caribbean Development Bank – Special Funds Resources
- Other Special Funds

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors Caribbean Development Bank

We have audited the accompanying special purpose financial statements of the **Other Special Funds** of the **Caribbean Development Bank** (the "Bank") for the year ended December 31, 2012, which comprise the statement of financial position as at December 31, 2011 and the statement of income and accumulated income for the year then ended, and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared on the basis set out in Note A.

Management's responsibility for the special purpose financial statements

Management is responsible for the preparation and presentation of these special purpose financial statements on the basis described in Note A. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of special purpose financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. International Standards on Auditing require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying special purpose financial statements have been prepared, in all material respects, in accordance with the basis set out in Note A.

Chartered Accountants
Bridgetown, Barbados

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF FINANCIAL POSITION

As of December 31, 2012

(expressed in thousands of United States dollars)

	2012	2011
Assets		
Cash and cash equivalents – Note A	\$9,530	\$7,575
Investments (Schedule 1)	76,010	65,809
Loans outstanding (Schedule 2)	124,095	125,083
Receivables – other		
Accounts receivable – Note F	70,212	69,209
Total assets	\$279,847	\$267,676
Liabilities and Funds		
Liabilities		
Accounts payable including interfund payables – Note G	\$7,078	\$8,949
Accrued charges on contributions	213	226
	7,291	9,175
Funds		
Contributed resources (Schedule 3)		
Contributions	76,803	79,541
Amounts made available	76,803	79,541
Accumulated net income (Schedule 4)	51,407	48,903
	128,210	128,444
Technical assistance and other grant resources (Schedule 5)	144,346	130,057
Total liabilities and funds	\$279,847	\$267,676

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – OTHER SPECIAL FUNDS

STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME **For the year ended December 31, 2012**

(expressed in thousands of United States dollars)

	2012	2011
Interest and similar income		
Loans	\$2,677	\$2,555
Investments and cash balances	2,178	259
	4,855	2,814
Expenses		
Administrative expenses	1,442	1,459
Charges on contributions	845	939
Foreign exchange losses/ (gains)	64	(95)
Total expenses	2,351	2,303
Total comprehensive income for the year	\$2,504	\$511
Accumulated net income		
Accumulated net income– beginning of year	\$48,903	\$48,392
Total comprehensive income for the year	2,504	511
Accumulated net income– end of year	\$51,407	\$48,903

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

	2012	2011
Operating activities		
Total comprehensive income for the year	\$2,504	\$511
Adjustments for non-cash items		
Net unrealized loss on trading portfolio	1,772	225
Interest income	(4,855)	(2,814)
Interest expense	845	939
Disbursements on loans	(2,180)	(11,549)
Principal repayment on loans	3,457	4,311
Technical assistance disbursements	(15,651)	(11,413)
Net cash used in lending activities	(16,612)	(20,301)
Increase in accounts receivable	(1,003)	(5,602)
(Decrease)/increase in accounts payable	(1,871)	106
Total adjustments	(2,874)	(5,496)
Interest received	4,667	2,819
Interest paid	(858)	(954)
Net (increase)/decrease in debt securities at fair value through profit or loss	(11,953)	6,334
Net cash used in operating activities	(25,126)	(17,087)
Financing activities		
Contributions:		
Increase in contributions for loans	-	4,924
Repayments	(2,968)	(3,126)
Technical assistance contributions	29,940	11,894
Net cash provided by financing activities	26,972	13,692
Net decrease in cash and cash equivalents	(1,846)	(3,395)
Net foreign exchange gain/(loss)	109	(154)
Cash and cash equivalents at beginning of year	7,575	11,124
Cash and cash equivalents at end of year	\$9,530	\$7,575

The accompanying notes form an integral part of these financial statements.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF INVESTMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 1

	2012	2011
	Market value	Market value
Debt securities at fair value through profit or loss		
Government and Agency obligations	\$31,720	\$23,879
Supranationals	10,745	7,858
Euro Commercial Paper	-	4,667
Mutual Funds	8,576	7,923
Managed Funds	11,847	11,002
Equity investments	12,923	10,301
Sub-total	75,811	65,630
Accrued interest	199	179
Total	\$76,010	\$65,809

Residual Term to Contractual Maturity

	2012	2011
One month to three months	\$ -	\$6,224
From three months to one year	4,269	4,854
From one year to five years	32,012	20,475
From five years to ten years	39,729	34,256
Total	\$76,010	\$65,809

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

Member countries in which loans have been made	2012		Outstanding ^{1/}	% of Total Loans Outstanding
	Principal repaid to Bank	Undisbursed		
Anguilla	419	-	81	0.1
Antigua and Barbuda	3,456	-	5,069	4.1
Barbados	18,470	-	7,601	6.2
Belize	9,659	-	-	-
British Virgin Islands	1,943	-	-	-
Cayman Islands	3,157	-	-	-
Dominica	15,764	-	19,490	15.8
Grenada	7,608	4	22,903	18.6
Guyana	16,777	-	3,973	3.2
Jamaica	37,838	-	31,170	25.3
Montserrat	1,249	-	-	-
St. Kitts and Nevis	4,960	-	3,508	2.9
St. Lucia	16,194	2,388	19,752	16.0
St. Vincent and the Grenadines	13,450	-	8,376	6.8
Trinidad and Tobago	2,299	-	1,152	0.9
Regional	2,066	-	161	0.1
Sub-total	155,309	2,392	123,236	100.0
Accrued interest	-	-	859	
Total – December 31	\$155,309	\$2,392	\$124,095	

^{1/}There were overdue installments of principal of \$540 at December, 2012 (2011 - nil)

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

Member countries in which loans have been made	2011			% of Total Loans Out- standing
	Principal repaid to Bank	Undisbursed	Outstanding ^{1/}	
Anguilla	394	-	106	0.1
Antigua and Barbuda	3,242	478	4,780	3.8
Barbados	17,965	730	7,351	5.9
Belize	9,536	-	-	-
British Virgin Islands	1,934	-	-	-
Cayman Islands	3,213	-	-	-
Dominica	15,451	-	19,815	15.9
Grenada	7,270	285	23,193	18.7
Guyana	16,517	-	4,214	3.4
Jamaica	37,702	-	31,261	25.1
Montserrat	1,243	-	-	-
St. Kitts and Nevis	4,747	95	3,682	3.0
St. Lucia	15,371	3,296	19,682	15.8
St. Vincent and the Grenadines	12,922	119	8,748	7.0
Trinidad and Tobago	2,147	-	1,236	1.0
Regional	1,905	37	324	0.3
Sub-total	151,559	5,040	124,392	100.0
Accrued interest	-	-	691	
Total – December 31	\$151,559	\$5,040	\$125,083	

^{1/}There were no overdue installments of principal at December, 2010 (2009 - nil)

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

2012				
Analysis by Special Fund	Principal repaid to Bank	Undisbursed	Outstanding ^{1/}	% of Total Loans Outstanding
Members				
Trinidad and Tobago	1,302	-	3	0.0
Other contributors				
Caribbean Development Bank	15,533	2,207	58,550	47.5
Nigeria	5,482	-	4,153	3.4
United States of America	92,926	-	81	0.1
Inter-American Development Bank	18,391	185	39,358	31.9
European Union	8,080	-	2,686	2.2
International Development Association	13,595	-	18,405	14.9
Sub-total	155,309	2,392	123,236	100.0
Accrued interest	-	-	859	
Total – December 31	\$155,309	\$2,392	\$124,095	

1/ There were overdue installments of principal of \$540 at December 31, 2012 (2011 – nil).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...*continued*

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

2011				
Analysis by Special Fund	Principal repaid to Bank	Undisbursed	Outstanding ^{1/}	% of Total Loans Outstanding
Members				
Trinidad and Tobago	1,340	-	3	-
Other contributors				
Caribbean Development Bank	14,484	3,543	58,022	46.6
Nigeria	5,074	-	4,562	3.7
United States of America	92,901	-	106	0.1
Inter-American Development Bank	17,317	1,083	39,707	31.9
European Union	7,677	37	2,881	2.3
International Development Association	12,766	377	19,111	15.4
Sub-total	151,559	5,040	124,392	100.0
Accrued interest	-	-	691	
Total – December 31	\$151,559	\$5,040	\$125,083	

1/There are no overdue installments of principal at December, 2010 (2009 - nil)

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

2012							
Currencies receivable	Loans out- standing 2011	Trans- lation adjust- ment	Net interest earned	Disburse- ments	Sub- total	Repay- ments	Loans out- standing 2012
Euros	\$2,881	\$57	-	-	\$2,938	\$ (252)	2,686
Special Drawing Rights	15,570	64	-	-	15,634	(594)	15,040
United States dollars	105,941	-	-	2,180	108,121	(2,611)	105,510
Sub-total	124,392	121	-	2,180	126,693	(3,457)	123,236
Accrued interest ¹	691	-	168	-	859	-	859
Total – December 31	\$125,083	\$121	\$168	\$2,180	\$127,552	\$(3,457)	\$124,095

Maturity structure of loans outstanding

January 1, 2013 to December 31, 2013	4,631
January 1, 2014 to December 31, 2014	5,424
January 1, 2015 to December 31, 2015	6,494
January 1, 2016 to December 31, 2016	6,668
January 1, 2017 to December 31, 2017	6,905
January 1, 2018 to December 31, 2022	34,569
January 1, 2023 to December 31, 2027	30,641
January 1, 2028 to December 31, 2032	19,896
January 1, 2033 to December 31, 2037	6,910
January 1, 2038 to December 31, 2046	1,957
Total	\$124,095

1/ Relates to amounts disbursed and outstanding

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 2

Currencies receivable	2011						
	Loans out- standing 2010	Trans- lation adjust- ment	Net interest earned	Disburse- ments	Sub- total	Repay- ments	Loans out- standing 2011
Euros	\$ 3,235	\$(107)	\$ -	\$ -	\$3,128	\$ (247)	\$2,881
Special Drawing Rights	16,527	(103)	-	-	16,424	(854)	15,570
United States dollars	97,602	-	-	11,549	109,151	(3,210)	105,941
Sub-total	117,364	(210)	-	11,549	128,703	(4,311)	124,392
Accrued interest ¹	646	-	45	-	691	-	691
Total – December 31	\$118,010	\$(210)	\$45	\$11,549	\$129,394	\$(4,311)	\$125,083

Maturity structure of loans outstanding

January 1, 2011 to December 31, 2011	\$4,622
January 1, 2012 to December 31, 2012	3,936
January 1, 2013 to December 31, 2013	5,268
January 1, 2014 to December 31, 2014	6,338
January 1, 2015 to December 31, 2019	6,512
January 1, 2020 to December 31, 2024	33,773
January 1, 2025 to December 31, 2029	31,538
January 1, 2030 to December 31, 2034	21,491
January 1, 2035 to December 31, 2039	11,605
January 1, 2040 to December 31, 2046	-
	<u>\$125,083</u>

1/ Relates to amounts disbursed and outstanding

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

Contributors	Contributions	
	Total ^{1/}	Amounts made available
Members		
Canada	\$7,011	\$7,011
Other contributors		
Inter-American Development Bank ^{1/}	40,427	40,427
European Investment Bank ^{1/}	1,319	1,319
United States of America	4,456	4,456
European Union	3,932	3,932
International Development Association	19,658	19,658
	69,792	69,792
Total – December 31	\$76,803	\$76,803

1/Net of cancellations and repayments

Maturity structure of repayable contributions outstanding

January 1, 2013 to December 31, 2013	\$ 3,666
January 1, 2014 to December 31, 2014	3,273
January 1, 2015 to December 31, 2015	3,192
January 1, 2016 to December 31, 2016	4,433
January 1, 2017 to December 31, 2017	3,468
January 1, 2018 to December 31, 2022	14,843
January 1, 2023 to December 31, 2027	12,273
January 1, 2028 to December 31, 2032	10,646
January 1, 2033 to December 31, 2037	7,540
January 1, 2038 to December 31, 2047	13,469
Total	\$76,803

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS...*continued*

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

Contributors	2011		
	Total ^{1/}	Amounts not yet made available	Amounts made available
Members			
Canada	\$6,959	-	\$6,959
Other contributors			
Inter-American Development Bank ^{1/}	41,053	-	41,053
European Investment Bank ^{1/}	1,293	-	1,293
United States of America	5,416	-	5,416
European Union	4,232	-	4,232
International Development Association	20,588	-	20,588
	72,582	-	72,582
Total – December 31	\$79,541	-	\$79,541

^{1/}Net of cancellations and repayments

Maturity structure of repayable contributions outstanding

	\$ 3,290
January 1, 2011 to December 31, 2011	3,322
January 1, 2012 to December 31, 2012	2,930
January 1, 2013 to December 31, 2013	2,850
January 1, 2013 to December 31, 2018	3,100
January 1, 2018 to December 31, 2023	17,007
January 1, 2023 to December 31, 2028	12,374
January 1, 2028 to December 31, 2033	11,168
January 1, 2033 to December 31, 2045	23,500
Total	\$79,541

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS...continued

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 3

Currencies repayable	2012					Contributions made available 2012
	Contributions made available 2011	Trans- lation adjust- ment	Draw- downs/ Appro- priations from Capital	Sub- total	Repay- ments	
Canadian dollars	\$ 2,134	\$ 56	\$ -	\$ 2,190	\$ (51)	\$ 2,139
Euros	5,526	108	-	5,634	(383)	5,251
Japanese yen	166	(17)	-	149	(44)	105
Pounds sterling	171	8	-	179	(51)	128
Special Drawing Rights	17,088	71	-	17,159	(806)	16,353
Swedish kroners	69	4	-	73	(21)	52
United States dollars	54,387	-	-	54,387	(1,612)	52,775
Total – December 31	\$79,541	\$230	\$ -	\$79,771	\$(2,968)	\$76,803

Currencies repayable	2011					Contributions made available 2011
	Contributions made available 2010	Trans- lation adjust- ment	Draw- downs/ Appro- priations from Capital	Sub- total	Repay- ments	
Canadian dollars	\$2,237	\$(53)	\$ -	\$2,184	\$ (50)	\$2,134
Euros	6,102	(205)	-	5,897	(371)	5,526
Japanese yen	203	10	-	213	(47)	166
Pounds sterling	221	(1)	-	220	(49)	171
Special Drawing Rights	18,004	(113)	-	17,891	(803)	17,088
Swedish kroners	91	(2)	-	89	(20)	69
United States dollars	51,249	-	4,924	56,173	(1,786)	54,387
Total – December 31	\$78,107	\$(364)	\$ 4,924	\$82,667	\$(3,126)	\$79,541

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF ACCUMULATED INCOME

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 4

Contributors	2012			
	Accumulated Net Income			
	Brought forward 2012	Net Income/(Loss) 2012	Appropriations	Carried forward 2013
General Funds	\$37,838	\$2,945	\$-	\$40,783
European Investment Bank	(783)	(161)	-	(944)
European Union	2,541	37	-	2,578
Inter-American Development Bank	482	(143)	-	339
International Development Association	222	6	-	228
Nigeria	6,124	(9)	-	6,115
United States of America	2,479	(171)	-	2,308
Total – December 31	\$48,903	\$2,504	\$-	\$51,407

Contributors	2011			
	Accumulated Net Income			
	Brought forward 2010	Net Income/(Loss) 2011	Appropriations	Carried forward 2011
General Funds	\$37,073	\$765	\$-	\$37,838
European Investment Bank	(677)	(106)	-	(783)
European Union	2,531	10	-	2,541
Inter-American Development Bank	522	(40)	-	482
International Development Association	229	(7)	-	222
Nigeria	6,119	5	-	6,124
United States of America	2,595	(116)	-	2,479
Total – December 31	\$48,392	511	\$-	\$48,903

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 5

	2012			
	Contributors			
Contributors	Total ^{1/}	Amounts made available	Amounts utilized	Net Amounts available
Members				
Canada	\$49,657	\$52,890	\$36,484	\$16,406
United Kingdom	22,209	22,209	9,942	12,267
Italy	522	522	252	270
	72,388	75,621	46,678	28,943
Other contributors				
Caribbean Development Bank	223,064	223,064	110,797	112,267
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	3,057	3,057	2,744	313
China	677	677	198	479
Venezuela	587	587	-	587
Nigeria	193	193	147	46
European Commission	1,711	1,711	-	1,711
Sub-total	230,696	230,696	115,293	115,403
Total – December 31	\$303,084	\$303,125	\$161,971	\$144,346
Summary				
Basic Needs Trust Fund	\$149,750	\$149,750	\$78,881	\$70,869
Other resources	153,334	153,375	83,090	73,477
Total – December 31	\$303,084	\$303,125	\$161,971	\$144,346

^{1/}Net of cancellation and resources fully utilized and expended in non-reimbursable operations.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES
For the year ended December 31, 2012

(expressed in thousands of United States dollars)

SCHEDULE 5

	2011			
	Contributors			
Contributors	Total ^{1/}	Amounts made available	Amounts utilized	Net Amounts available
Members				
Canada	\$39,897	\$39,897	\$33,833	\$6,064
United Kingdom	18,658	18,658	6,333	12,325
Italy	522	522	252	270
	59,077	59,077	40,418	18,659
Other contributors				
Caribbean Development Bank	211,560	211,560	101,671	109,889
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	2,876	2,876	2,479	397
China	677	677	198	479
Venezuela	587	587	-	587
Nigeria	193	193	147	46
Sub-total	217,300	217,300	105,902	111,398
Total – December 31	\$276,377	\$276,377	\$146,320	\$130,057
Summary				
Basic Needs Trust Fund	\$138,250	\$138,250	\$70,478	\$67,772
Other resources	138,127	138,127	75,842	62,285
Total – December 31	\$276,377	\$276,377	\$146,320	\$130,057

^{1/}Net of cancellation and resources fully utilized and expended in non-reimbursable operations.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

A. Nature of operations and summary of significant accounting policies

Nature of operations

The Other Special Fund Group (“OSF” or “the Fund”) was established to carry out the special operations of the Caribbean Development Bank (the “Bank”) by providing resources on concessional terms to assist borrowing members primarily for poverty reduction. Resources are provided by contributions from members and other contributors.

Summary of significant accounting policies

Due to the nature of the OSF, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources. These financial statements are not intended to be a presentation in accordance with International Financial Reporting Standards. These special purpose financial statements have been prepared in accordance with the accounting policies outlined below.

Preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

Translation of currencies

The financial statements are expressed in United States dollars solely for the purpose of summarizing the OSF’s financial position and the results of its operations.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars either at the par values established for those currencies with the International Monetary Fund, or where no par values are maintained, at rates which have been determined by the Bank to be appropriate for translation. In general, the rates so determined will be the approximate market rates of exchange prevailing at the date of the financial statements.

Income and expenses in currencies other than United States dollars are translated into United States dollars at applicable rates of exchange on the transaction dates. This practice approximates the application of average rates in effect during the year. Any gains or losses arising as a result of differences in rates applied to income and expenses and to assets and liabilities are shown as an exchange gain or loss in the determination of net income for the year.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

A. Summary of significant accounting policies...continued

Investments

All investment securities are in a portfolio, are designated at fair value through profit or loss and reported at fair market value. Securities are initially recognized at fair value (which excludes transaction costs) and subsequently re-measured at fair value based on quoted market prices. All related realized and unrealized gains and losses are included in investment income. Interest earned whilst holding securities is reported as interest income.

Regular-way purchases and sales of securities are recognized at trade date, which is the date that the Bank commits to purchase or sells the asset.

Equity investments are assessed for impairment annually. The impairment assessment is based on the net book value of the underlying asset and adjusted if the carrying value is less than the Fund's proportionate share of net assets. Impairment losses are recorded in income from investments and cash balances in the statement of comprehensive income. Amounts distributed to the Fund are recorded as a return on investment until such investments are written off and are subsequently recorded as income.

Loans

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

All loans by the Fund are made either from currencies available from members' subscriptions or from currencies borrowed and the principal amounts are payable to the Fund in the currencies lent. The balances outstanding on loans to members and their agencies are secured by guarantees of the Governments of the member countries in which the loans are made.

The Fund is one of very few lenders of development and structural adjustment loans to Caribbean countries. There is no secondary market for development loans nor does the Fund intend to sell these loans. As a result, the use of market data to arrive at the fair value of loans will not yield any meaningful results.

The Fund does not make provisions for losses on impaired loans as any loss that may occur is taken in profit and loss for that year.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

A. Summary of significant accounting policies...continued

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in banks and other depositories and time deposits with less than 90 days maturity from the date of acquisition.

	<u>2012</u>	<u>2011</u>
Due from banks	\$5,596	\$3,341
Time deposits	3,934	4,234
Cash and cash equivalents	<u>\$9,530</u>	<u>\$7,575</u>

Technical assistance and grants

Technical assistance and grants for capital projects to borrowing member countries are provided either from non-reimbursable grants received from contributors or from other resources specifically allocated for this purpose. The contributions from donors are included in the financial statements from the date of the contribution agreement. Technical assistance is recognized when the project is approved and becomes effective.

Interest income and charges on contributions

Interest income and charges on contributions are recognized in the statement of income and accumulated income for all interest-bearing instruments using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Administrative expenses

Administrative expenses incurred by the Bank which cannot be directly charged to individual funds are allocated between the Ordinary Capital Resources, the Other Special Funds and the Special Development Fund in accordance with a method of allocation which is indicated to the Board of Directors.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

B. Investments

As part of its overall portfolio management strategy, the Fund invests in Government agency, supranational and bank obligations, including time deposits. The Fund limits its activities of investing in securities to well established dealers and counterparties meeting minimum credit rating standards set by the Fund.

The annualized rate of return on the average investments held during the year, including realized and unrealized gains and losses was 3.55% (2011 – 0.62%). Net realized losses on investments amounted to \$147 (2011 – \$4), while net unrealized gains amounted to \$1,755 (2011 – losses of \$225).

C. Funds

In accordance with the Agreement establishing the Bank (the Agreement), Special Funds Resources comprise the Special Development Fund and Other Special Funds established or administered by the Bank, including technical assistance and other grant resources contributed on a non-reimbursable basis. For the purposes of these financial statements, the Other Special Funds have been presented separately from the Special Development Fund. The Other Special Funds are established in accordance with agreements between the Bank and the contributors and are for specific types of projects as agreed between the Bank and the contributors. In accordance with the Agreement, each Special Fund, its resources and accounts are kept entirely separate from other Special Funds, their resources and accounts.

For the purpose of presentation in these financial statements, the financial statements of each of the Other Special Funds have been aggregated.

Technical assistance and other grant resources include resources for the Basic Needs Trust Fund and other resources established for specific purposes as determined between the Bank and contributors.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

C. Funds...continued

Details of contributions, loans and technical assistance resources of the Other Special Funds are stated at the equivalent in thousands of United States dollars where such contributions, loans and technical assistance grants have been made in currencies other than United States dollars and are as follows:

	2012	2011
Canada		
Agricultural ¹	\$ 7,011	\$6,959
Technical assistance resources	52,890	39,897
Italy		
Technical assistance resources	\$522	\$522
China		
Technical assistance resources	\$677	\$677
Venezuela		
Technical assistance resources	\$587	\$587
Nigeria		
Technical assistance resources	\$193	\$ 193
United Kingdom		
Technical assistance resources	\$22,209	\$18,658
Inter-American Development Bank		
975/SF-RG	\$14,212	14,211
Less repayments	(4,365)	(3,946)
	9,847	10,265
Second Global Loan	5,077	5,074
Less repayments	(4,420)	(4,209)
	657	865
1108/SF-RG Global Credit	20,000	20,000
1637/SF-RG Credit	9,923	9,923
	\$40,427	\$41,053
Technical assistance resources	\$3,057	\$2,876

¹ The contributions are interest-free with no date for repayment

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

C. Funds...continued

The second global loan was subject to interest at the rate of 1% per annum until 1994 and thereafter at 2% per annum and is repayable during the period 1995 to 2015.

Loan 975/SF-RG is subject to interest at the rate of 1% per annum until 2006 and thereafter at 2% per annum and is repayable during the period 2003 to 2036.

Global Credit 1108/SF-RG was subject to interest at the rate of 1% for the first ten years and 2% thereafter and is repayable during the period 2012 to 2042.

Grenada Reconstruction 1637/SF-RG is subject to interest at the rate of 1% per annum until 2015 and thereafter at 2% per annum and is repayable during the period 2016 to 2045.

The loans are subject to a credit fee of 0.5% per annum on any undrawn balance.

	2012	2011
European Investment Bank		
Global loan II – B	\$1,319	\$1,293

Repayable in full in a single installment on September 30, 2016.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

C. Funds...continued

	2012		2011		Due Dates
United States of America					
Contributions					
Agricultural	\$7,052		\$7,052		1988-2018
Less repayments	(5,267)	1,785	(4,973)	\$2,079	
Employment Investment Promotion	6,732		6,732		1990-2000
Less repayments	(4,474)	2,258	(4,209)	2,523	
Housing	8,400		8,400		1983-2012
Less repayments	(7,987)	413	(7,586)	814	
		\$4,456		\$5,416	
Technical Assistance resources		\$1,407		\$1,407	

All contributions are subject to interest at the rate of 2% per annum on the amount outstanding for the first ten years after first disbursement and thereafter, at the rate of 3% per annum.

	2012		2011	
European Union				
First Contribution	\$7,715		\$7,566	
Less repayments	(5,153)	\$2,562	(4,788)	\$2,778
Second Contribution	3,270		3,207	
Less repayments	(1,900)	1,370	(1,753)	1,454
		\$3,932		\$4,232

The contributions are subject to interest at the rate of 1% per annum. The first contribution is repayable during the period 1992 to 2021 and the second contribution is repayable over the period 1994 to 2024.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

C. Funds...continued

International Development Association

	2012		2011		Due dates
Credit No. 960/CRG	\$6,480		\$6,480		1990-2029
Less repayments	(3,175)	3,305	(2,981)	\$3,499	
Credit No. 1364/CRG	8,337		8,302		1993-2033
Less repayments	(3,210)	5,127	(2,947)	5,355	
Credit No. 1785/CRG	7,121		7,091		1997-2030
Less repayments	(1,887)	5,234	(1,666)	5,425	
Credit No. 2135/CRG	8,560		8,525		2000-2030
Less repayments	(2,568)	5,992	(2,216)	6,309	
	\$19,658		\$20,588		

The credits are subject to a service charge of 0.75% per annum on amounts outstanding. In addition, the credits totaling \$43,338 (2011 - \$43,159) representing \$28,200 Special Drawing Rights are subject to a commitment fee not exceeding 0.5% per annum on amounts eligible for withdrawal but remain undrawn.

	2012	2011
Caribbean Development Bank		
Technical assistance resources	\$223,064	\$211,560

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended December 31, 2012

(expressed in thousands of United States dollars)

D. Total accumulated income and total comprehensive income for the year

It is normal for the Board of Governors to determine the disposition of the accumulated net income and net income for the current year of each of the Other Special Funds, subject to any rules and regulations governing each Fund and any agreement relating thereto.

E. Loans

The average interest rate earned on loans outstanding was 2.16% (2011 – 2.16%). There were no impaired loans at December 31, 2012 and 2011.

F. Accounts receivable

	2012	2011
Accounts receivable	\$70,212	\$69,209

G. Accounts payable including interfund payables

	2012	2011
Accounts payable	\$5,542	\$3,173
Interfund payables	1,492	5,776
Total	\$7,034	\$8,949